

March 30  
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# EUROPE'S BUSINESS NEWSPAPER FINANCIAL TIMES

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Weekend March 31/April 1 1990

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## WORLD NEWS

### Soviets fear resistance to draft

Senior Soviet military leaders are expecting widespread resistance in Lithuania to the Red Army's spring conscription draft, which takes place tomorrow. There were fears in Moscow of massive refusals also by conscripts in Georgia and the Transcaucasus.

The Soviet Deputy Chief of General Staff said yesterday that it had proved impossible even to set up a conscription commission in some parts of Lithuania as a result of "violation of the USSR constitution" in the Baltic republic.

Page 22; Moscow to draw up emergency oil strike measures, Page 3

### S Africa hopes dim

Peace hopes faded in South Africa's Natal Province as black activists rejected plans for a joint rally to be held by Nelson Mandela, deputy president of the African National Congress, and Zulu Chief Mangosuthu Buthe. Page 3

### Hungarian alliance

The Hungarian Democratic Forum concluded an electoral pact for the second round of Hungary's elections with two other conservative parties making it almost certain the coalition would form the next government. Page 2

### City plan setback

Peter Palmbe's plan to redevelop a site near the Mansion House in the City of London suffered a setback when the Court of Appeal overturned government approval for the scheme. Page 23

### Austria tightens borders

Austria is tightening border controls to prevent Vietnamese guest workers in Czechoslovakia entering the country illegally. Page 15

### Nepal police kill two

Two people were killed and several injured when police opened fire on thousands demonstrating in Nepal's Kathmandu Valley against a crackdown on a campaign for multi-party democracy. Page 15

### Beitst men jailed

Three Beitst men were jailed for life yesterday for aiding, and abetting the murders of two Army corporals during an IRA funeral procession. Page 15

### Transport spending up

London Regional Transport is to spend £260m this financial year - an increase of 23 per cent - on improving public transport services. Page 4

### Council house buy-back

Birmingham council is to buy back hundreds of crumbling reinforced concrete homes, built in the 1920s, bought by tenants before major structural defects were discovered. Page 10

### No reprieve for June

The Government has said it will not intervene to try to save June, the commercially backed Anglo-Soviet space mission whose sponsors have pulled out. Page 10

### Falklands zone lifted

The 150-mile military protection zone around the Falkland Islands, imposed in August 1982 after the Falklands War, has been lifted. Page 10

### Painting for tax

A 17th-century Dutch masterpiece from the Rothschild family collection, The View of the Westerkerk by Jan Van der Heyden, has been given to the nation in place of £2.8m inheritance tax. Page 10

### Red Arrows go red

The RAF's Red Arrows aerobatic team is to give a number of flying displays in the Soviet Union. Page 10

### Wolves' candidates

Wolverhampton Wanderers' supporters' club, unhappy at delays in developing the council-owned Molineux ground, is to contest three seats in the May local elections. Page 10

## BUSINESS SUMMARY

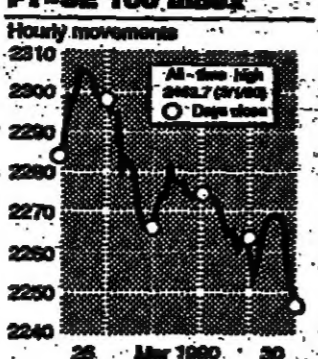
### ANZ bank plans merger with insurers

ANZ, one of Australia's four largest commercial banks, plans to merge with National Mutual Life Association of Australasia, the country's second-biggest insurance and fund management concern.

The move would produce Australia's biggest financial concern with assets exceeding A\$170bn (£78.3bn). Page 10

LONDON STOCKS were underpinned in late dealing as the first trading quarter of 1990 ended. A reversal of fortunes in the futures market in the wake of the expiry of the FT-SE 100 Index.

### FT-SE 100 Index



### March Futures

March Futures contracts, and Japanese selling of equity warrants in the UK, contributed to the overall nervousness. London Stock Exchange, Page 15; Lex, Page 21

### JAPANESE STOCKS

JAPANESE STOCKS suffered their seventh largest fall, with continuing concern about the weakness of the yen and of Japanese banks. The Nikkei index fell below 30,000 for the first time in a week. It closed at 29,980.45, a fall of 1,045.71, or 3.37 per cent. Page 3; World Stock Markets, Page 15; Editorial Comment, Page 6

### THE SOVIET UNION'S

repayment of a \$750m (£22m) debt to France has been delayed for five years. It was part of a \$750m contract to build an oil and gas refinery plant on the Caspian Sea. Page 21

### RUHRMANN-ESTERHASE

Dr. Peter Ruhrmann, chief of office supplies group, has launched an agreed £154m cash bid for UK paper merchant Robert Horns. Page 8

### PEARSON, UK owners of

the Financial Times, lifted annual pre-tax profits 26 per cent to £260.5m. It also announced it would buy Alton Towers, John Rounce's Staffordshire theme park, for £20m. Page 8

### SAVINGS AND LOAN: Tim

Ryan has been narrowly approved as the chief regulator of the UK's troubled savings and loan industry. Page 10

### NEWS CORP. Rupert

Murdoch's international media group, has sold its downmarket US tabloid weekly newspaper the Star for \$400m (£242.7m) and will use the proceeds to reduce its extensive debt load. Page 10; Lex, Page 21

### FERROVIAL, Spanish

construction group, has withdrawn its hostile bid for larger rival Colas. The Madrid Stock Market's first all-Spanish takeover battle.

### BHP, Australia's largest

group with interests covering mining and resources, announced a lower-than-expected rise in third-quarter net earnings - up 16 per cent at A\$254.4m (£117.1m). Page 10

### ISRAELI Finance Ministry

launched a rare public attack on the Knesset over a rash of extra budget expenditure. Page 9

### BULGARIA'S Foreign Trade

Bank will postpone loan payments to commercial bank creditors as part of the country's move to a market economy. The Government may also freeze principal payments on foreign debt. Page 3

### FRANCE'S return to UK

shelves on Monday, six weeks after all stocks were withdrawn when traces of botulism were found in the Bony French water. Page 5

## Thatcher in fight to reassure party core

By Philip Stephens, Political Editor

MRS Margaret Thatcher will seek today to re-establish her grip on the Conservative leadership amid growing concern that a renewed wave of speculation over the ambitions of Mr Michael Heseltine and Mr Norman Tebbit is threatening the Government's chances of political recovery.

Her speech to a conference of Conservative activists in Cheltenham will follow a strong warning yesterday from Mr Kenneth Baker, the party chairman, that mounting rumours about a challenge to the Prime Minister were playing into the hands of the Labour Party.

Mr Tebbit, himself a former party chairman and a leading figure on the Conservative right, confirmed yesterday that he would seek the leadership if Mrs Thatcher were to stand down before the general elec-

tion due by mid-1992. Mr Heseltine, the former Defence Minister who left Mrs Thatcher's cabinet in 1989 and is regarded as one of the favourites to succeed her, also indicated he would be a candidate in such circumstances.

Both sought to emphasise that they had no intention of challenging the Prime Minister. However, Mr Tebbit's intervention, in particular, has rekindled fears within senior Government ranks that the issue will not go away as long as Labour retains its strong lead in the opinion polls.

Mr Baker, in what was seen as evidence of the growing exasperation about the speculation, told the Tory central council meeting in Cheltenham that talk of a leadership election was welcomed "only by our opponents". He added: "Any house divided against itself will fall. So the lesson is clear... I say to you - let this idle chatter cease."

In a flurry of media interviews, Mr Baker acknowledged that the election would be a much tougher fight than those of 1985 and 1987, but insisted that the Government could recover the 25-point lead which the poll tax and high mortgage rates have handed to Labour.

Mr Tebbit's comments were seen by friends on the right of the Tory party as indicating his concern that Mr Heseltine should not be regarded as the sole heir-apparent to Mrs Thatcher. By indicating that Conservative leaders were scrambling "like ferrets in a sack," Mr Baker will seek to capitalise further on the unpopularity of the poll tax with a series of attacks on the Government.

Mr Heseltine will arrive at Cheltenham today to find party activists still apparently enthusiastic about her leadership but concerned that the Government is failing to get across its message to the electorate. The Prime Minister will repeat her determination to press ahead with the Government's agenda and also emphasise that there is "no vacancy" at Number 10 Downing Street.

She is expected, however, to repeat the assurances offered yesterday by Mr Baker that the Government will act to recast the poll tax before next year.

Mr Kinnock, the Labour leader, took obvious glee from yesterday's speculation, commenting that Conservative leaders were scrambling "like ferrets in a sack." His party will seek to capitalise further on the unpopularity of the poll tax with a series of attacks on the Government.

Ministers tried to rally Tories behind poll tax, Page 4

## Threat to public spending targets

By Philip Stephens, Political Editor

THE TREASURY'S public spending targets for the next two years are under serious threat from the combination of the political furor over the community charge and higher-than-expected inflation.

Many senior ministers believe that the targets, confirmed last week in the Budget, are now unrealistic. Keeping up with higher inflation and providing additional resources for local authorities to limit the backslash from the poll tax alone may add about £7bn to public spending in the 1991/92 financial year - the last before a general election.

Spending ministers argue that, apart from those demands, further money will have to be found to meet intense political pressures to maintain standards in key public services such as health, social services and education.

That in turn could reduce or eliminate the Treasury's already diminishing Budget surplus and limit the room for manoeuvre by Mr John Major, the Chancellor, to lower interest rates and taxes in the run-up to the election due by mid-1992.

The strength of the immediate pressures has been underlined by Treasury figures indicating that more than a third of its £3bn contingency reserve for the 1990/91 financial year, which begins on April 1, has been exhausted.

About three-quarters of the £1.1bn already allocated from the reserve has been put aside to fund benefit payments flowing from the much unexpected high level of the average community charge this year.

The rest is needed to meet pay awards already agreed in the National Health Service and to pay for recent government concessions on such issues as benefits for the elderly in private nursing homes. Whitehall officials are now predicting that the £1.7bn target for departmental spending in 1990/91 will be overshot.

Ministers, however, expect the most serious problems to occur in the negotiations which begin in the summer to set departmental spending limits for 1991/92.

There is private acknowledgement that the £192bn target for that year makes no allowance either for the sharp rise in inflation or for the unexpectedly high level of local authority spending.

Since the total was agreed, Continued on Page 22



West German Chancellor Helmut Kohl, Ambassador Baron von Richthofen and Sir Geoffrey Owen, Editor of the Financial Times, during a visit to the newspaper's London offices. An interview will be published on Monday.

## Kohl and Thatcher remain divided

By Robert Rattiner, Diplomatic Correspondent

MRS Margaret Thatcher, the Prime Minister, and Helmut Kohl, the West German Chancellor, yesterday failed to settle differences over the future of Europe and nuclear weapons, but there was no sign of the personal acrimony which has bedevilled their relations recently.

During what were described by Mrs Thatcher as "extremely good and very fruitful discussions" in London, it again became clear that the two lead-

ers had a radically different vision of European integration. Mr Kohl emphasised at a joint press conference with the Prime Minister that he saw the Single European Market, due to be completed at the end of 1992, as only a step towards the political unification of Europe, an objective clearly stated in the Treaty of Rome.

However, Mrs Thatcher made it plain that she believed political co-operation was already progressing satisfac-

torily within the European Community's institutions. "Each of us willingly co-operates and keeps our national pride, our character and our identity," she said.

The Prime Minister also firmly rejected any increase in the powers of the European Parliament. Mr Kohl, however, considers an increase neces-

sary if the powers of the Commission and Council of Ministers are to be democratically controlled.

However, the two leaders were in complete agreement on the need for a unified Germany to remain a member of Nato. "We want the full protection of Nato for the territory of Germany," Mr Kohl said. But he did not rule out transitional arrangements, such as the temporary stationing of Soviet Continued on Page 22

## Fears over Iraqi effort to rebuild N reactor

By Alan Friedman in New York and Richard Doughty in London

CONCERN is growing among Western officials that Iraq is trying to rebuild the Osirak nuclear reactor that was bombed by Israel in 1981. If successful this could enable Baghdad to produce the fissionable material needed for a nuclear warhead.

The effort to salvage part of the French-supplied reactor has seen "a hell of a lot of activity," according to one Western official. "They are trying very hard to rebuild Osirak," he said.

The mounting concern came as British Government intelligence established that Euro-nuc, the UK company allegedly used by Iraq in an attempt to obtain electronic triggers for nuclear warheads, had connections with Technology and Continued on Page 23

## Coloroll turns down dividend payment

By Andrew Bolger

COLOROLL yesterday announced that it is rejecting a preference dividend, worth £1.1m, in the latest indication of the debt-laden furniture group's financial plight.

The decision not to pay the dividend, which was due today, at the company's year-end, also means that Coloroll cannot pay a dividend to ordinary shareholders.

The announcement came six minutes after the market closed yesterday afternoon. Coloroll ordinary shares had closed at 29½, down 1½ on the day and preference shares had closed down 1p at 50p.

They are expected to fall sharply when trading resumes on Monday.

Mr Ric Kilby, deputy chairman and finance director, refused to say whether this meant that Coloroll had no distributable reserves or whether it was the result of pressure from its bankers to prevent any further money leaving the company until a refinancing package is completed.

Coloroll, once a stock market star, saw its market capitalisation fall to £22m in January, as its share price plunged from 65p to 29p, after it issued a profits warning and said it was trying to recapitalise its business.

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## OVERSEAS NEWS

# Moscow to draw up emergency oil strike measures

By Quentin Peel in Moscow

THE SOVIET government has ordered emergency measures to be drawn up by the defence, iron and steel and engineering industries to tackle the crisis in its oil and gas sector, where production has fallen 4 per cent in two months, and workers are threatening strike action next month.

The decision has persuaded official union leaders to extend until April 7 the deadline they set for a list of demands to be met by the government.

The official trade unions were summoned on Wednesday to the crisis meeting in Moscow, chaired by Mr Nikolai Ryzhkov, the Prime Minister, and involving the heads of all the major oil industry producers, as well as the full Council of Ministers.

They heard grim reports about the state of the industry, which has been hit by an investment freeze, serious shortages of promised pipes and drilling equipment, and growing labour unrest over poor living conditions in the huge West Siberian oilfields.

The strike threat has been issued by union leaders in the Tyumen region, responsible for more than 60 per cent of Soviet oil production and the largest oil producing area in the world.

Soviet officials expressed some scepticism yesterday about the extent of popular support for the official unions, traditionally conservative rep-

resentatives of the Communist Party and Soviet state establishment. They suggested union leaders may be deliberately presenting radical demands in an effort to win back the allegiance of their members.

Whether they are representative or not, there is clearly real concern over the spread of industrial unrest to the country's most essential industry, where a strike would be far more disruptive than last summer's coal miners' strikes.

"There are very many problems with supply of machinery, pipes and necessary equipment," a union official said. "There are also financial difficulties. The cost of production is very high, and the (oil) price is very low. At the same time we have all our usual problems: lack of housing for the family, foodstuffs and other consumer goods."

Emergency action has now been ordered on two fronts. Housing construction units across the country will be instructed to take special measures to meet the critical housing shortage in the oilfields. At the same time, the three major industrial sectors - iron and steel, engineering, and the defence industry complex - have been told to draw up detailed proposals to supply the oil industry with the pipes and equipment it needs.

However there does not appear to have been any dis-



Supporters of an Independent Republic of Estonia wave banners in a protest outside the Soviet parliament in Moscow yesterday

sion on workers' demands for a price freeze on all equipment supplies, guarantees of wage levels even for workers laid off, and specific demands for better social facilities, as well as housing.

They are demanding the right to market up to 15 per cent of their oil and gas production directly to supply the food and consumer goods

# Bulgaria to delay loan payments

By Deborah Hargreaves

BULGARIA'S Foreign Trade Bank has said it will postpone loan payments to commercial bank creditors, as part of a decision tied to the country's move towards a market economy.

Reuter reported from Sofia, government sources saying Bulgaria planned to freeze principal payments on its debt to foreign governments soon.

The bank's announcement came as Bulgaria's reformist government passed a bill to introduce economic reforms aimed at rebuilding the economy and bringing free market elements to the moribund economy. The bill aims to have Bulgaria's balance of payments deficit and stop overall foreign debt rising in future. Bulgaria has a foreign debt of \$10.41bn, small compared with other Eastern European debtors.

Bulgaria's London embassy stressed the Foreign Trade Bank is only one of 15 banks holding this debt and the others would continue payments. The bank, which has temporarily frozen payments on principal but is continuing to pay interest, has arranged

Bankers have been eager to lend to Bulgaria, and only last year a loan facility was raised from \$150m to \$250m. Many loans have been short-term trade credits for which payments fall due this year. Part of Bulgaria's plan to lessen its economy involve a programme of privatisation, planning decentralisation, and moves to a convertible currency.

# Anglo-German boost for single insurance market

By Tim Dickson in Brussels

EFFORTS in Brussels to achieve a single European market in insurance services received a substantial boost yesterday with the announcement of a new "understanding" between West Germany and the UK.

A joint statement agreed at the Anglo-German conference between Mr Nicholas Ridley, the UK Trade and Industry Secretary and Mr Theodor Waigel, Bonn's Finance Minister, was being seen as highly significant in London because it stakes out a surprising amount of common ground between the two main protagonists in the debate.

British officials claim the text contains German concessions not only on insurance but on the EC's controversial proposal for the capital backing of investment firms.

The main issue at stake is the plan launched in December by the European Community's Competition Commissioner, Sir Leon Brittan, for a single insurance "licence" which, if adopted by EC member states, would enable companies legally established in one member state to offer their full

range of services in another on the basis of "home" country control. The UK strongly supports Sir Leon's approach and its domestic insurance industry has generally welcomed the idea as a means of liberalising the EC's highly protected £400bn insurance market.

West Germany's reaction, on the other hand, has been sceptical to say the least, with officials saying there must be much more harmonisation of prudential rules, notably in relation to companies' technical reserves, before existing barriers can be removed.

Yesterday's Anglo-German statement - unusual in that it comes ahead of the publication of detailed directives in Brussels - points out that the two countries "share the objectives" of the Commission's single insurance licence system in respect of "maintaining prudential standards and consumer protection; achieving the greatest possible competition, flexibility and freedom for product innovation in the interests of consumers; and granting consumers the widest possible choice between differ-

ent competitively priced insurance products." Another key passage states that "mutual recognition of supervisory standards, which must be based on a minimum harmonisation, is essential for a system based on home state control".

The accounts directive, meanwhile, should provide "a basis for satisfactory harmonisation of technical reserves at least for non-life insurance" while emphasis was put on the need for "satisfactory safeguards" for policy holders.

On broader questions of financial services the two countries committed themselves to "early completion" of the negotiations on the draft investment services and proposed capital adequacy directives.

Of particular interest in London is the agreement that capital requirements for widening investment services should be related to the risk involved in trading financial instruments whatever the nature of the institution. This is seen as a significant softening of Bonn's earlier insistence on the toughest possible capital requirements.

# Ministers begin vital Emu talks

By David Buchanan in Brussels

EUROPEAN Community ministers will today hold their first serious discussion of economic and monetary union (Emu) since talk of political union began to put even the weighty Emu issue somewhat in the shade.

If a clear majority of ministers can reach, in the relaxed surroundings of Ashford Castle in western Ireland, broad agreement on what Emu should look like and how to get there, the path will be relatively smooth to the opening in December of formal monetary negotiations among the 12 governments. Wider reform of the Community's political institutions will also look more plausible.

It, however, substantial differences of emphasis still persist, even among the 11 governments which, unlike the UK, now subscribe to the goal of a single currency union, then the road to both Emu and political union will seem rockier.

Laid before the ministers at Ashford Castle will be two versions of Emu, with one essentially a blueprint for the Commission.

It has tabled a paper that departs from the 1989 Delors committee report's call for centrally-drafted and imposed ceilings on the budget deficits of member states, and suggests instead that member states should set their own guidelines for budget discipline, provided these were effective and obeyed.

By contrast, the EC Monetary Committee's paper reverts to the Delors committee line and backs "binding limits on budget deficits".

The Commission's proposal that member states follow a decentralised strategy of economic convergence is designed to make Emu more palatable.

This is especially so for countries like Italy, Belgium and Greece with chronically big budget deficits, and to the UK Government with its particular inhibitions about ceding sovereignty.

Britain's Chancellor of the Exchequer, Mr John Major, is still expected to argue for a financial union created by freely-competing currencies. However, Mr Karl Otto Pöhl,

head of the Bundesbank and of the EC central bank governors' committee, may well remind ministers of his well-known view that monetary union must be bolstered by central budget discipline.

He and Mr Theo Waigel, the West German Finance Minister, will also be expected at today's meeting to start giving their Community colleagues some hard information on how they intend to go about unifying the economic and monetary systems of the two Germanys.

Apart from some discussion of world money and stock market movements, ministers may have to come to some view about the applications of Austria and Norway to be formally associated with the European Monetary System (EMS).

Commission officials have said that while full membership of the EMS was only open to full members of the EC, various forms of association, including reciprocal agreements over currency intervention, could be reached with Vienna and Oslo.

# Airbus denies Indian bribe claim

By William Dawkins in Paris

AIRBUS Industrie, the European aircraft consortium, yesterday denied claims by India's Central Bureau of Investigation (CBI) that officials were bribed to buy 31 A-320 aircraft for Indian Airlines, the state-owned carrier.

"Airbus deplores the campaign of systematic denigration that is currently waged against it in India," said a spokesman from the group. The CBI earlier this week filed preliminary charges of bribery and cheating over the 1988 contract, following earlier inquiries into last month's crash of an A-320 at Bangalore airport, in which 91 people died.

"Airbus is amazed at these accusations, which it deems fanciful... Airbus reserves the right to undertake any legal action against the originators of such injurious, offensive and calumnious accusations," it said.

However, Airbus added that the court case would help clear up the atmosphere between the group and the Indian Government.

It argued that its A-320s had been chosen on purely technical criteria over the Boeing 737s also being considered. Airbus said it regretted the decision, but pointed out that in the past JAL had always bought US aircraft. The other company to lose out was Boeing, offering the 747-400.

## NEWS IN BRIEF

### S Korean trade deficit is seen as temporary

By John Riddling in Seoul

SOUTH KOREA recorded a current account deficit of \$328m (€228m) in February, its second monthly deficit in succession, the Bank of Korea reported yesterday.

The central bank said that February's deficit, which reflected a slowdown in Korea's export performance, was the largest since 1986 and gave a combined deficit of \$648m for the first two months of 1990, compared with a surplus of \$988m for the same period last year. But analysts said that the underlying picture is better than suggested by the figures. The depreciation of the Korean currency, which has fallen by 2.5 per cent against the dollar so far this year, has prompted exporters to delay shipments while importers have been bringing orders forward.

### Collor suffers second defection

President Fernando Collor de Mello of Brazil has suffered the second defection from his two-week-old Government in as many days with the resignation on Thursday evening of Mr Joaquim Roriz as Agriculture Minister. John Riddling writes from São Paulo. A senior Economy Ministry official had resigned the previous day in an unrelated incident. Mr Roriz's resignation is damaging both because of his rank and because the President had persuaded him to abandon a promising regional election campaign to serve in the Cabinet.

### Swedish proposal for pay ceiling

Sweden's government wage mediator yesterday proposed that wage increases next year should not exceed 2 per cent until prices rise over 6.9 per cent, when workers should receive 80 per cent compensation to meet those price rises. Robert Taylor writes from Stockholm. But the lower paid would have a small flat rate increase on August 1, with wage protection against price inflation for everybody on the same basis in 1991. Employer organisations and the trade unions have been given until Monday to respond favourably to the mediation proposals.

### Sharp fall in Turkish growth

Growth in Turkish gross national product fell back sharply again, undermined by drought, to 1.7 per cent in 1989 compared to 3.4 per cent the previous year, according to government figures, Jim Hodgson writes from Ankara. This was the lowest level for six years. Agriculture contracted by 10.3 per cent due to the drought, which overall cost the economy about \$2bn (£1.2bn). Industry, however, did better than the previous year at 4.3 per cent, reflecting recovery in the third quarter from recession lasting roughly between the summers of 1988 and 1989. Public services grew fastest over the period, by 6.5 per cent.

### Hungarian conservatives in election pact

By Nicholas Denton in Budapest

THE HUNGARIAN Democratic Forum yesterday concluded an electoral pact for the second round of Hungary's elections with two other conservative parties, making it almost certain this coalition will form the next government.

Leaders of the Forum, the Christian Democratic People's Party and the Smallholders' Party formed a national alliance which renders null and void the local deals that any party may have made. The Forum came out of last Sunday's first round of voting with a six-seat lead over its main rival, the liberal Alliance of Free Democrats, but the Smallholders' Party held the balance of power.

Personal ties between Smallholder leaders and Mr Josef Antall, the Forum leader, appeared to have been decisive in making the pact possible.

## FINANCIAL TIMES

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## Deutsche Bank

Aktiengesellschaft

(Incorporated in the Federal Republic of Germany with limited liability)

Frankfurt am Main

We are convening our Ordinary General Meeting this year on Wednesday, May 16, 1990, 10.00 a.m. in the GRUGAHALLE, Norbertstrasse 2, 4300 Essen.

### Agenda:

1. Presentation of the established Annual Statement of Accounts and the Management Report for the 1989 financial year with the Report of the Supervisory Board
  2. Presentation of the Consolidated Statement of Accounts and the Report of the Group for the 1989 financial year
  3. Resolution on the appropriation of profits
  4. Ratification of the acts of management of the Board of Managing Directors for the 1989 financial year
  5. Election of the auditor for the 1990 financial year
- Shareholders entitled to participate in the General Meeting and to exercise their right to vote are those who have deposited their shares during normal office hours and in the prescribed form at a depositary bank until the end of the General Meeting. Depositary banks are those specified in the Bundesanzeiger of the Federal Republic of Germany No. 63 of March 30, 1990.

Depositary banks in the United Kingdom are:

Deutsche Bank AG,  
London Branch,  
6, Bishopsgate,  
London EC2P 2AT  
Midland Bank plc,  
Securities Services UK Department,  
Ground floor, Suffolk House, 5 Laurence Pountney Hill,  
London EC4R 0EU

Shares shall only be deemed deposited if they are lodged by May 9, 1990, at the latest, with either of the aforementioned depositary banks or with any other authorized depositaries in the United Kingdom. In the United Kingdom entrance cards or forms of proxy will be issued by the aforementioned offices of Deutsche Bank AG or Midland Bank plc to whom application should be made.

With regard to the exercise of voting rights we wish to draw your attention to § 18 (1) of our Articles of Association:

"The voting right of each share corresponds to its nominal amount. If a shareholder owns shares in a total nominal amount exceeding 5% of the share capital, his voting rights are restricted to the number of votes carried by shares with a total nominal amount of 5% of the share capital. Shares held for account of a shareholder by a third person shall be added to the shares owned by such shareholder. If an enterprise is a shareholder, the shares owned by it shall include any shares which are held by another enterprise controlling, controlled by or affiliated within a group with such enterprise, or which are held by a third person for account of such enterprise."

The 5% of share capital mentioned in § 18 (1) at present corresponds to a nominal amount of DM 108,612,522 = 2,170,250 shares of DM 50 par value.

Copies of the Annual Report as well as the complete wording of the Agenda will be available at the aforementioned banks on or about April 25, 1990.

Frankfurt am Main, March 1990

The Board of Managing Directors

## FIVE QUESTIONS TO ASK YOUR ADVERTISING AGENCY

1. Who's survey on Cuba was part of Gorbachev's briefing prior to his visit there?
2. Which newspaper published a 64-page colour survey on career opportunities for graduates this year?
3. Which is the only Europe based daily newspaper to print in America, Germany, France and soon Tokyo?
4. What colour is the "greenest" national newspaper?
5. Which newspaper offers an advertising environment in which people act on information, not just observe?

If your agency says "... No comment", call David Bell on

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The Financial Times proposes to publish a Survey on the above on

12TH MAY 1990

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FINANCIAL TIMES

## OVERSEAS NEWS

## Japanese stocks show seventh biggest fall

By Stefan Wagstyl in Tokyo

THE Japanese stock market fell sharply again yesterday amid continuing concern about the weakness of the yen and of Japanese bonds.

The Nikkei index fell below 30,000 for the first time in a week, recording a fall of 1,045.71 points, its seventh largest fall ever. The index closed at 29,950.45.

Brokers said the outlook for the immediate future was grim, with Nikkei possibly falling to 28,000 or below early next week, according to one view. Mr. Jan Vandenberg, an economist at Merrill Lynch in Tokyo, said: "Things will get worse before they get better."

Some investors had expected a rally yesterday, the last trading day of the month, on the grounds that banks and other financial institutions would want to raise prices to boost the year-end valuations of their securities portfolios.

But when the rally failed to materialise, the market was hit by "sell" orders. Prices in the stock index futures market fell so fast that the key June contract on Topix, the broad-based market index, dropped by the maximum daily limit.

The apparent inability of Japan and the US to make progress in trade talks compounded by political uncertainty at home and overseas is sapping confidence in Japanese stocks, bonds and the yen.

But the over-riding influence continues to be a fear that interest rates have risen too far in the last year for equities to hold even their current price levels.

To make matters worse, there is a strong belief that concern about inflation will push the Bank of Japan to try to raise the Official Discount Rate again before the summer. The central bank last raised the rate earlier this month by 1 percentage point to 5.25 per cent.

The central bank is worried the weakness of the yen might feed inflation. The yen, which gained ground on Thursday in Tokyo, fell yesterday to close at ¥157.55.

Bond prices fell, pushing up the yield on the benchmark 10-year issue by 0.16 percentage points to 7.350 per cent in Tokyo Stock Exchange trading.

## Hitachi to appeal US ruling on patents

By Robert Thomson in Tokyo

HITACHI, the Japanese electronics company, yesterday announced plans to appeal against a US court ruling that one of the company's microcontrollers infringes on Motorola's patents.

A judge in the Federal District Court in Texas ordered Hitachi to pay compensation of \$1.5m (£1.2m) for infringing on Motorola patents, but also ordered Motorola to pay compensation of \$500,000 for infringing on a Hitachi patent with its 68030 microprocessor.

Both companies were also ordered to stop sales of the offending products in the US. At a press conference in Tokyo yesterday, a Hitachi spokesman said that the company was "gratified" by the ruling in its favour but "disappointed" by the ruling in Motorola's favour, "which we believe to be in error".

The company said that the impact of the order against the microcontroller, the H8/32, would be "slight", as the chip accounts for about one per cent of the company's total semiconductor business, estimated at ¥4.6bn (£3.1m) although a spokesman said there had been plans to increase sales of the H8/32.

He said that total microprocessor sales account for about 30 per cent of Hitachi's semiconductor sales and the chip ruled to have infringed on Motorola's patents is commonly used in industrial robots and air-conditioners. The decision will not affect the use of the chip outside the US, the spokesman said. "We would like to negotiate with Motorola and stop the remaining arguments between us," the spokesman said. Three additional suits between the companies for alleged patent violations are pending. "Basically, there is a good relationship between the two companies, and this litigation will not affect the way we conduct daily business," he said.

Litigation began when Motorola filed an action in January last year in the Federal District Court in Texas. Hitachi then counter-claimed in June, alleging that one of its patents was infringed by Motorola's 68030 microprocessor, and arguing that its use of Motorola's chips held the balance of a 1984 patent cross-licence agreement between the two companies.

## EC to talk with Tokyo on car import quotas

JAPAN'S Ministry of International Trade and Industry (MITI) has agreed to enter exploratory talks with the European Commission and the Japanese Ministry of International Trade and Industry, and called for exploratory discussions of "possible elements" of a plan to liberalise the EC car market "by a fixed date".

Japanese authorities have accepted that limits on exports of cars from Japan, now imposed in some EC member countries, will probably continue to have some force while the EC negotiates with Japan. They will probably resist any attempt by the EC to include Japanese cars made in EC countries in any transitional limits.

But Mr. Andreessen made clear before meeting Mr. White that the EC would be seeking just that.

## Mugabe clings to old ideas for new role

Julian Borger reports on how Zimbabwe's Robespierre should easily see off Danton

ZIMBABWE'S first presidential election, the result of which is expected tomorrow, has finally given the country's people the chance to pronounce judgement on the man who has ruled them throughout their first decade of independence.

Few doubt it will be that man, Robert Gabriel Mugabe, who will see the country through its 10th anniversary celebrations and who will embark on a further term of increasingly personal rule.

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son of the French Revolution's Robespierre and Danton. If Mr. Mugabe, a marvellous showman, is a good approximation of the latter, Mr. Mugabe fits the Robespierre role.

While his opponent is the ultimate populist, so likely to follow the whims of a crowd as lead it, Mr. Mugabe is a meticulous purist.

The President prefers to harangue his audience until he believes he has brought them round to his way of thinking.

A teacher until the age of 36, he often makes journalists feel like recalcitrant schoolchildren, and press briefings given after trips abroad almost always begin with a geography lesson.

Mr. Mugabe, like Robespierre, is also a man with a blueprint for society. During the country's guerrilla war of independence he rose to the top in Zanu, unwavering in his determination to secure majority rule.

A similar determination appears to characterise his insistence on retaining Marxist-Leninist doctrine as the guiding principles for the party and society, seemingly indifferent to the lessons of Eastern Europe.

The death of his friend and close political ally, Nicolas



Mugabe: Increased powers

Causewicz, just days after the President had sung his praises at the Zanu party congress last December, has left his enthusiasm for a one-party state unimpaired.

Zimbabwe's future, he explains, is "better guaranteed under one single, monolithic, and gigantic political party".

Loyalty to people like Mr. Causewicz, who helped Mr. Mugabe and Zanu during the fight for Zimbabwean independence, is another hallmark of the President's style.

Those who supported the rival Zimbabwe African People's Union, like the African

National Congress and Moscow, have found it hard ever since to gain Mr. Mugabe's ear. This, perhaps, also explains the recent rise of his Ghanian-born wife, Sally, whom he married in 1981.

The mother of their only child who died while Mugabe was serving 10 years' detention under the Rhodesian régime.

Despite vocal opposition within the party, he stepped in late last year to place his wife — whose failure to learn Shona, and extensive business dealings, has won her few converts — at the top of the Zanu Women's League. The act led Mr. Mugabe to describe the President's rule as a "bedroom-based personal dictatorship".

Certainly, a personality cult has risen to the fore since Mr. Mugabe became President in 1987.

There are now roads in every Zimbabwean town to his wife, him, and a February 21 Youth Movement that owes its name to his date of birth. Party advertisements in the newspapers now pay homage to our "Consistent and Authentic Leader" echoing the style of North Korea's Kim Il-Sung, another close political friend.

Mr. Mugabe's Zimbabwe has not seen Robespierre-like terror. But the army's brutal campaign in Matabeleland in the mid-1980s against dissident ex-Zanu guerrillas and peasant farmers alike is believed to have left well over 1,000 civilians dead.

The President's warning during the campaign that Mr. Tere was planning to incite a coup, and that this would be dealt with after the election, have also raised fears that scores may be settled with ZUM supporters this time.

Even Mr. Mugabe's fiercest critics are prepared to concede that his 10 years in power up to now have seen a period of remarkable stability and growth.

The achievement last year of unity between Zanu and Zapu, ending the Matabeleland troubles, is seen by many as an act of statesmanship.

Now, however, his impervious belief that his nation will best be served by a society of one-party state, together with the violence with which his party has dealt with opposition, is worrying his admirers.

The country's former Prime Minister, Sir Garfield Todd, recently wrote of him: "It is the President's devotion to us all and his resolute determination that awaken me in a cold sweat on the occasional midnight."

flagration," he told the Cape Town Press Club.

Dr. Klerk said he would make a statement to parliament on April 2 on measures to stop the violence, but gave no details. He also reassured nervous whites: "We will not throw overboard the freedom and values built up over three-and-a-half centuries."

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## Black activists reject plans for Mandela-Buthlezi rally

By Patti Waldmeir in Pietermaritzburg

PEACE looked more distant than ever yesterday in South Africa's Natal Province, as black activists rejected plans for a joint rally to be held in the area by Mr. Nelson Mandela, deputy president of the African National Congress (ANC) and Chief Mangosuthu Buthelezi.

Peace talks between the two men were still expected to go ahead, though it was not clear when these would take place.

Mr. Mandela and Chief Buthelezi had planned to address a joint peace rally on Monday at

the black township of Taylor's Halt, near the Natal provincial capital of Pietermaritzburg.

Taylor's Halt is a stronghold of the Inkatha movement, which draws its support from the Zulu people, and which is headed by Chief Buthelezi.

But officials of the United Democratic Front (UDF), an ANC affiliate, said last night the rally had been cancelled following protests from UDF and ANC officials in Natal.

The row over the planned rally illustrates the depth of hostility between the UDF and

Inkatha, and the suspicion with which many UDF members trust Chief Buthelezi.

Clashes between the two groups have led to over 40 deaths during the week, including at least another two yesterday.

Mr. Mandela clearly sees accommodation with Chief Buthelezi, whose Inkatha movement claims 1.5m members, as essential both for a solution in Natal, and for a new constitutional deal on South Africa's future. But after three years' fighting in Natal,

his local supporters may prove hard to win round to this view.

The ongoing political violence in recent weeks prompted the intervention yesterday of President F.W. de Klerk. He warned that the violence was becoming a threat to stability and the government was using force to restore order.

"Demonstrators openly espousing violence or preaching class and racial hatred are playing with fire. Fanning these flames may easily lead to a catastrophic intergroup con-

flagration," he told the Cape Town Press Club.

Dr. Klerk said he would make a statement to parliament on April 2 on measures to stop the violence, but gave no details. He also reassured nervous whites: "We will not throw overboard the freedom and values built up over three-and-a-half centuries."

"The legal government of the Republic of South Africa remains firmly in control and will govern the country in accordance with the laws which are still valid."

## Israeli ministry attacks Knesset on budget

By Hugh Carnegie in Jerusalem

THE Israeli Finance Ministry yesterday launched a rare public attack on its political masters, angrily criticising members of the Knesset (parliament) for a rash of extra budgetary expenditure, some for the benefit of religious groups which hold the balance of power in the battle to form a new Government.

Exploiting the present absence of effective government control over the budget, the Knesset voted through a series of measures in 1989-1990 of about Shekels 500m (£151m). The spending will ensure a large rise in the budget deficit, previously planned at Shekels 1.5bn, or 4 per cent of GDP.

The largest amount was Shekels 220m allocated to religious institutions linked to the four religious parties whose support the rival Likud and Labour parties are fighting to secure, in the effort to form a ruling coalition. The figure was three times the 1988-1989 figure. This is an enormous sum, which the balance of power in the battle to form a new Government.

He had felt compelled to speak out, because, he claimed, members of parliament were "violating the budget process in a dangerous way. Clearly, we are very alarmed at this".

In another unusual statement, President Chaim Herzog signalled his unhappiness at the way the religious parties have "been able to exploit their influence".

He issued a strong call for

reform of Israel's electoral system and criticised an attack on the kibbutzim collective movement made earlier this week by Rabbi Eliezer Schach, spiritual leader of two of the religious parties.

Israeli security forces clashed with Arab demonstrators in the town of Taibe yesterday, a rare violent confrontation between Jews and Arabs. The clash occurred during an otherwise peaceful annual rally by the country's Arab minority protesting at land confiscation.

The Israeli authorities, worried by increasing friction between Israeli Arabs with the uprising in the occupied West Bank and Gaza Strip, ordered a security operation for Land Day, including a Gaza curfew. One Palestinian was shot dead on Thursday in the West Bank, where a strike was called.



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## LDP delays considering plans to break up NTT

By Stefan Wagstyl

JAPAN'S ruling Liberal Democratic Party yesterday postponed until after March 1995 consideration of plans to break up Nippon Telegraph and Telephone, the telecommunications giant.

The Government was expected to follow suit. The decision will lift a cloud of uncertainty which has hung over NTT for more than a year.

The LDP's decision is a snub for the Ministry of Posts and Telecommunications which has battled to split in two the formerly state-owned corporation by financial 1995 — a long-distance service company and a local-call operator. The ministry's main argument was a need to promote competition in telecommunications.

Officials were also motivated by a desire to divide and rule; they disliked the freedoms NTT had gained since it was lost from the ministry's control and privatised in early 1987.

But the Telecommunications

Ministry ran into powerful opposition from the Finance Ministry, which oversaw the flotation of NTT and is concerned about the impact of a break-up on the company's share price and on the prospects for future financing.

NTT argued that the ministry had under-estimated the "enormous economic and social effect" of a break-up and said it was not practical to make a decision when the telecommunications industry was changing so rapidly.

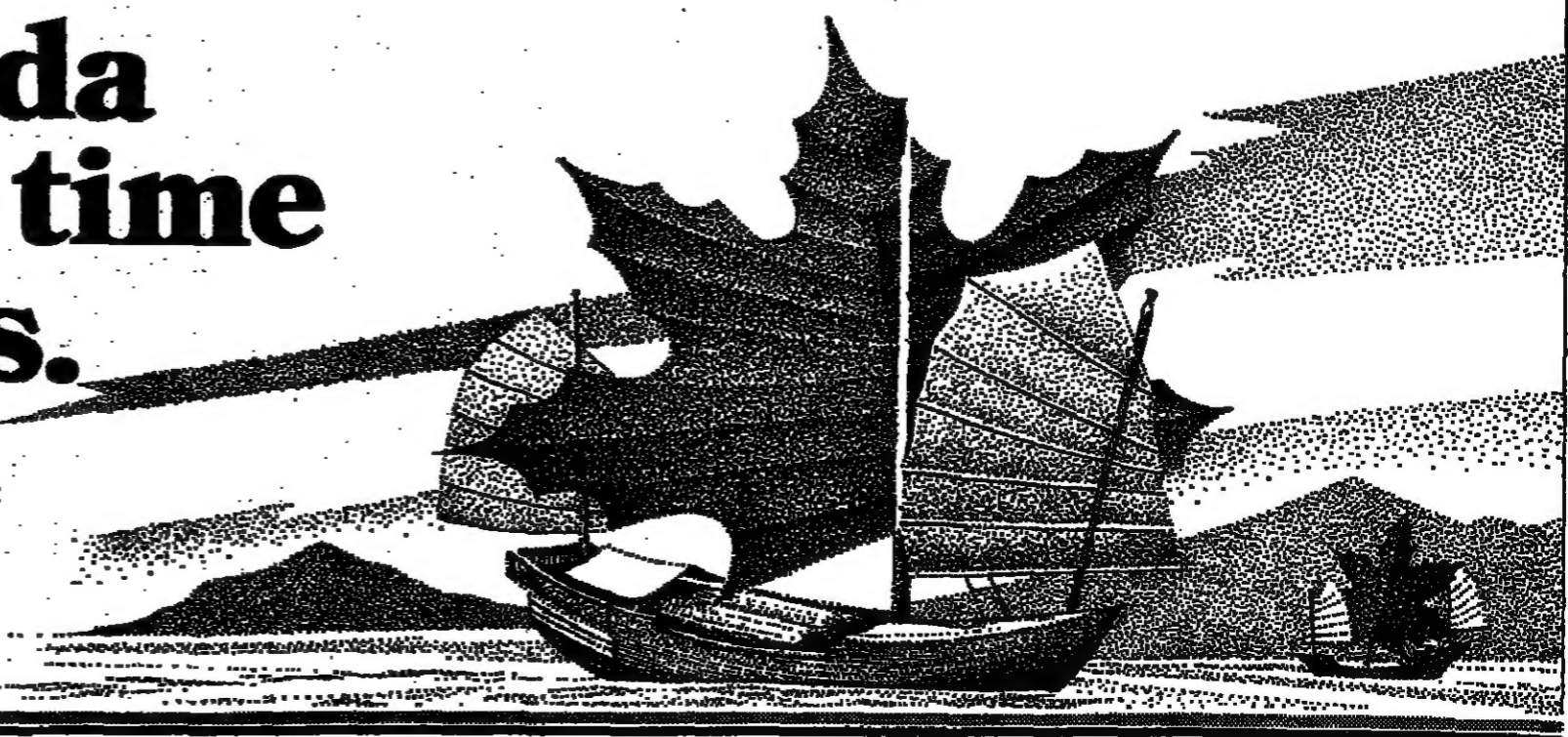
The decision does not entirely let NTT off the hook since the telecommunications ministry has every intention of re-opening its campaign after 1995. The Government is expected to impose tough new operating conditions on NTT, including demands for streamlining operations, boosting shareholders' returns, and a requirement for reporting separately the financial results of the long-distance and local call businesses.

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## UK NEWS

## Minister tries to rally Tories behind poll tax

By Alison Smith

MR David Hunt, Minister of State for the Environment, yesterday tried to rally anxious Tories by urging senior party activists to turn the poll tax against Labour and "use it to drive them out of local government and keep them out".

He told the Conservative Central Council at Cheltenham: "The community charge is a weapon in our hands. Use it to scatter the forces of the Labour Party - the real enemy."

He sought to reassure Tories that ministers would try to

soften the effect of the tax in 1990-91. While insisting that the principles underlying poll tax were "not in doubt," he added: "We are always prepared to listen to considered arguments as to how we can make those principles even more effective."

Mr Hunt said Labour opposition to poll tax was "a national disgrace" based on "fantasies, fairy tales and fiction."

Within hours of Mr Hunt's speech, Mr David Mudd, Tory MP for Falmouth and Camborne, who is to stand down at

the next election, said he could find nothing good to say about the poll tax.

"From promise to performance it has changed so much that, had this been the fiction of a company, the fraud squad would already have made a dawn raid," he told a constituency meeting.

Mr Neil Kinnock, the Labour leader, said people of every political persuasion knew that the blame for the "misery that the poll tax brings belongs with the Tory Government and the MPs who supported them."

Earlier, Labour claimed that Mr Chris Patten, the Environment Secretary, would produce a "blatantly biased list" in next week's announcement of those local authorities that would have their expenditure and poll tax levels capped by central government.

Mr Bryan Gould, shadow Environment Secretary, listed 20 Tory councils that were "candidates for capping." They included Berkshire, which had increased its spending by more than 20 per cent above the Government's target, and the

London Borough of Kensington and Chelsea which has raised spending by 284 per cent.

However, Mr Hunt rejected suggestions that the political control of a council would affect whether it would be capped.

"We do not look at the political complexion of a council," he said on Radio 4's Today programme. "We look under the terms of the legislation at whether or not we have the power to exercise the charge-capping responsibilities given to us by Parliament."

## Inquiry into possible sabotage on oil platform

By Maurice Samuelson

POLICE were yesterday investigating a "stupid, irresponsible act" on a sister rig of the Piper Alpha platform, destroyed two years ago in the world's worst ever oil industry accident.

A large metal bolt is believed to have been found in valve gear on the Claymore platform's gas compression system, out of action since the Piper Alpha accident in 1988.

A total of 350 men live and work on the installation - 260 on Claymore and the rest on the adjoining support vessel, Tharos.

Occidental Oil said officers from Grampian police had flown to the platform because of "a potentially malicious act involving the discovery of a foreign body" in its equipment.

The company said the discovery suggested the presence on the platform of someone who had no respect for the safety of fellow workers.

Grampian police confirmed that it was inquiring into the incident but declined to comment further.

If the bolt had not been found it could have caused a large gas leak when the gas compression system was reactivated.

The explosion on Occidental's Piper Alpha platform, in which 167 people died, was caused by a leak in the gas compression area.

Neither Occidental nor police would say if the act was viewed as a possible sabotage attempt, an act of negligence or a case of spur-of-the-moment recklessness.

## Manx judge is told bank report dropped breach-of-duty claim

By Sue Stuart

THE MANX Government was accused of being in breach of a general duty of care towards the depositors of the Savings and Investment Bank in the first draft report by the court-appointed inspectors examining the bank's collapse.

The Manx High Court heard yesterday that the accusation was not repeated in a later version of the report.

Former depositors of the Savings and Investment Bank, many of whom lost their life savings when the bank collapsed with £42m of debts in 1982, have unsuccessfully pursued civil actions against the Manx Government, claiming it failed in its duty of care to depositors.

The inspectors were appointed in October 1982, three and a half months after the bank collapsed. Eight former directors, officials and agents of the bank face 37 charges, including fraud and false accounting.

Mr Thomas Field-Fisher, QC, the acting depute judge, is hearing submission from defence counsel that the trial should be stopped because of the delay in bringing the case to court. It was due to begin on March 20.

Mr Philip Hackett, for defendant Mr Michael Crowe, the bank's former auditor, told the

court the statement regarding breach of duty of care did not appear in a later version of the report. The report was completed in 1986, but has not been published.

Mr Hackett said Pannell Keir Foster, the Manx Government accountants who were sent into the bank after its doors closed in June 1982, declined to be interviewed by the inspectors on instructions from the Manx Government.

He said that was not compatible with the government's statement at the time that it desired a full and complete inspectors' report.

Mr Hackett said D. J. Freeman, the liquidators' solicitors, had written in February 1984 to Mr Crowe's firm detailing complaints against it.

"The letter was clearly the result of confidential interviews with the inspectors that have been passed to D.J. Freeman so that they can sue Mr Crowe's firm," said Mr Hackett.

"In England, documents gathered for one purpose and used for another would be contempt of court," Mr Hackett claimed there had been a failure to separate out such matters in the interests of the defendants.

Mr Hackett's submission is to continue, followed by the final defence submission for defendant Mr Dennis Finfer.

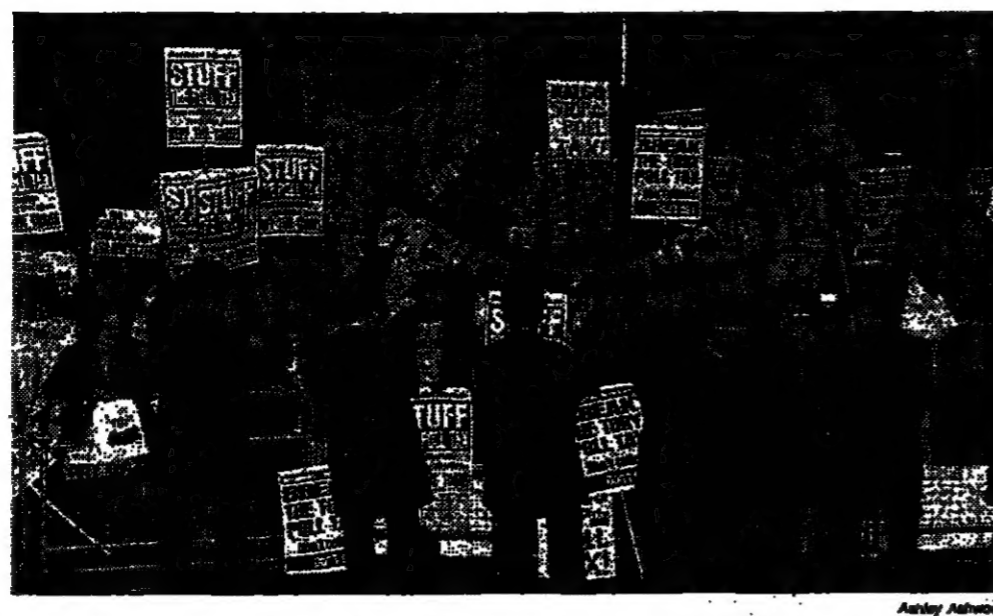
## Defiant protesters rally from every quarter

Jimmy Burns and John Authers report on a country-wide campaign of opposition

LONDON and Edinburgh will today see their biggest rallies in recent years, as thousands of people march in protest against the poll tax.

The rallies are the climax of weeks of protests, which have sometimes erupted into riots, as council after council has met to set its poll tax rate. Tory councillors have resigned and people with years of allegiance to the Conservative Party have gone on marches.

The All-Britain Anti-Poll Tax Federation has organised the rallies. The federation recognises that it cannot prevent the tax, which has been in force in Scotland for a year, from being implemented tomorrow in England and Wales. However, it hopes that the rallies will remind the Government of the depth of feeling on the issue, and signal a new stage in the campaign to have the poll tax abandoned.



Demonstrators protesting against the community charge face the police in Islington

Some poll tax opponents say they cannot afford to pay it, others say they will defy the law and refuse to pay - a tactic backed by a number of Labour MPs, but condemned vigorously by the Labour leadership.

There were councillors who advocated defying the Government and refusing to set a rate - thereby risking bankruptcy for their councils and disqualification and surcharge for themselves. At one time, Liverpool City Council seemed close to taking that course. However, Labour councillors this week bowed to pressure from the party at national level and set a community charge - although 16 hard-left Labour councillors rebelled.

There is little sign that will take the steam out of the campaign. The union has provided the Merseyside branch of the Anti-Poll Tax Federation with rent-free offices, from which it hopes to co-ordinate open defiance of the law.

The federation is led by Mr Jeff Goulding, 24, a member of the General Municipal and Boilermakers union. He admits that militant supporters have played a "prominent role" in the campaign, although he

denies being one himself.

Two years ago, he organised an initial meeting with a handful of friends in a school in Morris Green, the run-down inner-city estate where he lives. The federation is now supported by 45 anti-poll tax groups in the Merseyside area, with an estimated affiliation of over 50,000. Fifteen groups have been set up in the last two weeks.

Campaign funds have been boosted by charity events and contributions from trade unions.

The federation plans to organise a national campaign of non-compliance which will draw on experience in Scotland, where 500,000 people face legal action for non-payment. There, sheriff officers who go to value goods for sale to cover debts are often met with large demonstrations.

Mr Goulding says the same will happen in England. "We will organise hundreds of people to defend their homes. We make this guarantee to our supporters: that not one person will have a bailiff enter his or her home because of non-payment."

The federation's national plan of resistance has firm backers among hard-left Liverpool councillors who have shredded their registration cards and pledged a public burning of their poll-tax reminders.

The attitude of other Labour councillors is more complex. Mr Keva Coombes, a solicitor and leader of the council, insisted that the council should set a poll tax, and he is in favour of continuing to campaign within the law.

However, he also believes the council should adopt a "sympathetic, generous and understanding" attitude to low-income groups, who may not be able to afford the tax, and delay as much as possible in taking legal action against them.

He also thinks the introduction of the poll tax will be overtaken by political events, including the political demise of Mr Thatcher.

He is convinced the poll tax is unwarrantable, and says: "I'm quite prepared to administer the Government's suicide pill."

Many anti-poll-tax campaigners are linked to hard-left

groups such as the Militant Tendency, but the federation yesterday accused the Labour leadership of "sneaking" it by implying that it was a front for militants.

Mr Steve German, an enthusiastic militant supporter who came within one vote of being expelled by his local Labour party, is the secretary of the Anti-Poll Tax Federation in the prosperous Somerset town of Taunton. However, the campaign in Taunton also boasts the support of Mr Michael Langston, a founding member of the Social Democratic Party, and several pensioners who voted Conservative in the last election.

Each of the 35 local anti-poll tax federations in the Bristol area plans a bonfire of poll-tax bills on April 20. The area includes Tory strongholds such as Midsomer Norton and Westbury-on-Trym.

However, there appears to be a division of opinion among local people over the national federation's call for non-payment.

Keynsham, a small town between Bristol and Bath, formed an anti-poll tax federa-

tion last Monday. More than 100 people attended the inaugural meeting, which was advertised for less than a week.

At the meeting, enthusiastic applause greeted Mr Chris Patten, of the Bristol federation, who said: "It is better to break the law than to break the poor." The vote to continue organising for non-payment was unanimous.

The meeting also reassured many elderly residents who had been alarmed by scenes of violence elsewhere in the country. Mr Dave Gunning, a self-employed computer programmer, said many had been worried about "outside agitators." Many people also feared the legal consequences of non-payment, he said.

At today's rallies, the federation will hand out leaflets entitled The Truth About Non-Payment, aimed at reassuring individuals about the consequences of defying the law. It plays down suggestions that money will be deducted from pensions and wages; that bank accounts will be frozen; or that non-payers will be liable to financial imprisonment, arguing that councils will be reluctant to fuel the social unrest that would ensue from such punitive measures.

Elsewhere in the West Country, feeling against the poll tax is running just as high, but protesters say they will stop short of non-payment.

Mrs Elida Biles, a Plymouth "housewife, nurse and mother," organised mass protests and last week delivered a petition with over 50,000 signatures to 10 Downing Street.

"Her petition included at least two self-proclaimed conservatives: one of them, Mr Chris Matthews, a former chairman of Devonport Young Conservatives, said he would not pay the tax. Most were new to politics and far-left groups were not in evidence."

The petition's organisers emphasised that they would not encourage non-payment of the poll tax. Mrs Biles will be following her conscience and paying her community charge.

## Spending to rise 23% on London public transport

By Roy Hodson

INVESTMENT IN improved public transport services in London will be 23 per cent higher in real terms in the financial year 1990-91 than in the previous year.

London Regional Transport's business plan, published yesterday, provides for spending of £580m in the coming financial year. The plan also hints that London commuters can expect further fare increases during the coming year.

Fare revenues will be required to cover a smaller proportion of LRT's total costs. In 1989-90, the previous financial year, fares covered 40 per cent of the total costs. The plan admits, however, that "the extent of further fare changes cannot be assessed until it is clear how passengers respond to the recent fare increase... and how inflation moves."

LRT is nervous that the recent decline in British Rail's off-peak traffic in the south-east because of economic recession might be repeated on the Underground.

Most of the investment will go towards new routes and upgrading the existing system, and to developing the Docklands Light Railway.

## Computer ex-finance director jailed for fraud

THE FORMER finance director of McDonnell Douglas Information Systems, the computer offshoot of the US aircraft manufacturer, was jailed for six years yesterday after admitting stealing £15m.

Mr David Stears, 38, financial controller and later the financial director at MDIS from 1984 until 1989, was jailed for 115 offences including fraud, deception and forgery. St Albans Crown Court was told that he had carried out the fraud over four years.

In his first year as finance director, Mr Stears had ordered computer hardware from suppliers using £46,393 of McDonnell Douglas money. He then resold the computers privately, or dishonestly gave them away.

The second scheme involved McDonnell Douglas paying £275,474 for computer consultancy it never received and for bogus personal expense claims that Mr Stears submitted.

Later, Mr Stears paid £248,312 from McDonnell Douglas funds to an interior design company in Florida, falsely claiming that the company had provided services to McDonnell Douglas. Sums were channelled back to him and he used them to buy three properties in Florida, the court was told.

In all, Mr Stears pleaded guilty to three indictments involving false accounting, forgery and obtaining property

by deception. He asked for 93 other offences to be taken into consideration.

Judge Colin Colston, QC, said he recognised that Mr Stears had a generous streak, in spite of his "staggering dishonesty." He had given more than £100,000 of the money to family and friends. His annual salary at McDonnell Douglas had been around £55,000.

"Some people no doubt thought you were a magician to be so charitable," Judge Colston remarked.

Mr Lindsay Burns, for the defence, said that while Mr Stears admitted various false personal expense claims, he said they amounted to common practice. "What he did was widespread throughout the company. Frequently McDonnell Douglas executives would take side trips from official business and charge the company to do so."

Sentencing Mr Stears, Judge Colston said: "You were living a lie. You built an image of a rich, generous businessman and were not able to support it or abandon it."

Mr Stears, of Hemel Hempstead, was asked to resign from the company in February 1989.

Judge Colston made no order for compensation to McDonnell Douglas. The company has obtained a High Court order restraining Mr Stears' assets in the UK and the US.

## Government to run radar trial in joint deal with US

By Paul Abraham

THE GOVERNMENT has agreed in principle to a joint project with the US to set up a radar trial in England and Wales.

The decision was announced yesterday in reply to a Parliamentary Question by Mr Alan Clark, Minister of State for Defence Procurement.

The cost of the trial project, understood to be several hundred million pounds, will be shared by the two governments. The US will provide the radar, while the UK will provide the operational costs. Running costs will be shared.

The radar, to be built on RAF sites at St Davids Airport, Dyfed, and Blackhill Radio Station in Wiltshire, is

designed to provide the US Navy with information from the North Sea, Norwegian Sea and Baltic. Any data obtained will be shared by the two countries.

The trial will start in 1993 and last for two years. Once the performance of the system has been analysed, and its role and cost evaluated, a permanent radar may be built. The eventual cost of a permanent radar could be as much as £1.7bn (£1,640m).

The MOD says there is no environmental hazard at the Wiltshire site. It also gave undertakings that it would ensure that there was no danger to any member of the public outside the boundary of the Wales site.

## Tin council dispute ends with payout

By Kenneth Gooding, Mining Correspondent

THE FIVE-YEAR dispute following the 1985 collapse of the International Tin Council's price support scheme ended yesterday when the council paid £182.5m to 36 creditor brokers, banks and smelting companies.

That completed the out-of-court settlement agreed in December. Creditors will drop all outstanding litigation against the 22 member countries and the ITC in London and elsewhere.

Mr Brad Smith, the lawyer who led the Canadian initiative over two years, which resulted in yesterday's settlement, said: "Everybody comes out of this with credit. But, of course, not everybody is blissfully happy. Not all the states are happy about having to pay out so much money. Not every creditor is happy about not being paid in full."

Creditors maintained they were owed £518m but were willing to accept about 36p in the pound, partly because of the attitude of the UK courts, which indicated that, although the creditors had suffered a grave injustice, the ITC countries could not be obliged to pay in law.

Mr Ralph Kestevenham, the managing director of Gerald Metals and one of the co-ordinators of the creditor group, said yesterday that many of the 14 London Metal Exchange brokers affected had suffered not only because of the ITC's default but also because creditors had taken away, fearing for the brokers' financial health.

However, the brokers had written off all the debts and yesterday's payments represented extra profit.

It is understood that Japan and the UK, the two biggest contributors to the settlement with £40m and £30m respectively, have paid more than their fair share. Malaysia paid about £23m, West Germany £17m and Thailand \$2.3m.

## Unigate will close turkey plant and shed 500 jobs

By Ian Hamilton Fazay, Northern Correspondent

UNIGATE is to abandon the over-ready turkey market with the loss of 500 jobs.

After declines in sales last year, the company will close its business in Craven Arms, south Shropshire, where it is the main employer. The seasonal nature of the business means that sales are being blamed, plus a decline of 15 per cent in the total market.

Unigate's share against the Matthews and Buxted brands was 10 per cent of the market. Its own brand is Chubbs, but many birds were own-label products for retail multiples and supermarkets. The group's poultry businesses are Turners

Turkeys and J. P. Wood, its chicken operation, which started in Shropshire in 1894.

Production is being rationalised to Sandycroft, near Chester, and Scunthorpe, where Unigate has the most modern plant in Europe. Craven Arms staff will be offered jobs at both locations.

● A Northern Ireland meat plant is to close in June with the loss of 200 jobs.

Abbey Meats Packers near Belfast, owned by the international Agria group, said the decision to close came after it was felt that the factory was no longer viable on a long-term basis.

## Novair grounded

NOVAIR International Airways, the charter airline subsidiary of the Bank Organisation, will cease operations on May 5.

It is the third British charter operation to fail recently.

The company's operations are in peril for independent charter airlines had forced the decision.

## BAe makes Rover payment

By Charles Leadbeater, Industrial Editor

BRITISH Aerospace yesterday paid the Government the £150m agreed in August 1988 as the purchase price for the Rover Group, the former state-owned volume car manufacturer.

The 20-month delay in making the payment was one of a set of secret concessions agreed during negotiations for the controversial privatisation. The concessions are estimated to have saved BAE £28m.

The National Audit Office

estimated that the delay in making the payment saved the company £28m.

The European Commission is examining the secret concessions and the NAO's calculation that the sale significantly undervalued the Rover Group, to see whether the deal contravened its rulings on the amount of state aid allowed to the car group.

The BAE's wide-ranging report on the deal is not expected to be published for several weeks.

## THE GUINNESS TRIAL

## Lyons produced false invoice for bank, court told

SIR JACK LYONS, the millionaire brewer, produced an allegedly false invoice for £254,000 for "consultancy services" to Guinness by an Austrian bank, it was claimed at the Guinness trial yesterday.

Dr Horst Tiefenthaler, former London manager of Zentralbank and Kommerzbank, said the bank had performed no consultancy services for Guinness.

It had lost nearly £254,000 when it sold Guinness shares, bought on Sir Jack's recommendation, and Guinness made good the loss.

He also said that later, after Department of Trade and Industry inspectors had been appointed to investigate Guinness, Sir Jack had drafted letters which he suggested ZKB should send to Guinness "to avoid problems."

The letters referred to business arrangements purportedly agreed between ZKB and Guinness. Some arrangements had been discussed but nothing had been agreed and ZKB had refused to send such letters, Dr Tiefenthaler said.

He was giving evidence at the trial of Sir Jack, Sir Ernest Saunders, former Guinness chairman and chief executive; Mr Gerald Ronson, Heron group chairman; and Mr Anthony Parnes, a City stockbroker. They deny charges arising from an allegedly unlawful share support operation mounted by Guinness

during its takeover battle for Distillers.

Dr Tiefenthaler had earlier told the court that at a lunch at Mark's Club in Mayfair on April 18 1989, Sir Jack encouraged him to buy Guinness shares, telling him ZKB would lose in any event because "we will cover you."

Yesterday Dr Tiefenthaler said that when he told Sir Jack ZKB had lost £253,426 on the sale of the shares, Sir Jack had said "leave it to me." The next day Sir Jack had given him a handwritten note on ZKB stationery, addressed to Guinness, "to consultancy fees regarding European acquisitions."

Invoice should be for £255,000, then had told Dr Tiefenthaler to make it £250,000 for consultancy services and \$4,000 for out-of-pocket expenses.

Dr Tiefenthaler said that when the DTI investigation began, Sir Jack at first said there was nothing to worry about - that the investigation was to do with Mr Ivan Rosicky, a US arbitrator.

Then, said Dr Tiefenthaler, on December 23 he and Sir Jack had lunch at Claridges and "for the first time, I had the feeling that the atmosphere had changed a bit."

In a "subtle, polite and nice way," Sir Jack had asked whether they could put in writing possible business arrangements between Guinness and ZKB that they had discussed. Dr Tiefenthaler had said they would talk to the bank.

On December 30, at Sir Jack's home, Sir Jack had handed him letters typed on blank paper, asking him to get them typed on ZKB stationery and saying "I may help us to avoid problems."

Dr Tiefenthaler said: "This was the first time I became quite suspicious and a bit panicky."

Sir Jack had said that the DTI might want to interview the two men about the share transaction "and that since the invoice was for consultancy services it was quite obvious that we should substantiate it with some documentation."

Mr John Chadwick, QC, prosecuting: "Did that appear to you to be in order?" Dr Tiefenthaler: "No, certainly not."

He added that his superior in Vienna had said it was out of the question.

Mr Robert Harman, QC, for Sir Jack, suggested that Sir Jack had never used the word "cover."

Dr Tiefenthaler disagreed.

Mr Harman said that when Sir Jack had written thanking Dr Tiefenthaler for the April 15 lunch he had made no reference to any investment "and certainly not to any kind of cover or any words which I suggest you may have misinterpreted." Dr Tiefenthaler agreed there had been no such reference.

So far as Sir Jack had been concerned, it had always been an investment which did not need cover, Mr Harman suggested.

Dr Tiefenthaler said he believed that had been so. He said that when ZKB sold at a loss "Sir Jack took the burden off my shoulders. He said 'I stick to my promise'."

Mr Harman: "I am suggesting he made no promise."

Dr Tiefenthaler: "The truth is different."

Mr Harman suggested that ZKB's loss had been an embarrassment to Dr Tiefenthaler. Dr Tiefenthaler disagreed. He had, he said, been an embarrassment to Sir Jack.

The trial resumes on Tuesday.

## WAPPING VALUE.

SEE PAGE X...

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UK NEWS

# Bill on shoddy goods goes to Lords after deletions

By Iwan Owen, Parliamentary Correspondent

A BILL designed to strengthen the position of consumers who are sold shoddy goods has been severely watered down in its final stages in the Commons. Although the Consumer Guarantees Bill provides for a clearer definition of goods of merchantable quality, measures to give customers a statutory right to return shoddy goods for a refund or replacement were deleted yesterday. Mr Martin Jones, Labour MP for Clywd South West and chief sponsor of the bill, agreed to delete the provisions to allow some of the bill to survive. Mr Jones was supported by other Labour MPs in accusing the Government of orchestrating Conservative backbenchers in a three-hour procedural filibuster that left insufficient

time for the controversial sections of the bill to be discussed. To avoid having the debate adjourned and putting the entire bill in jeopardy, Mr Jones agreed to allow the truncated version to proceed. It now goes to the House of Lords. Emphasising that the bill fell far short of the measure originally introduced, he said consumers would have to wait for the election of a Labour government to give them wider protection. "Mr Eric Forth, the Consumer Affairs Minister, said the provisions deleted from the bill would have been 'unworkable'." The modified version would do a great deal for consumers, he said. Earlier he was accused of threatening the National Consumer Council, which co-operated with Mr Jones in framing the bill. Mr Forth initially argued that the council's conduct required examination after Mr Peter Viggers, Conservative MP for Gosport, complained that it had subjected him to an abusive attack in a press statement. Although Mr Jones later made clear that he had been responsible for the comments about Mr Viggers, the minister said it would still be necessary to scrutinise the activities of the council, which receives £2m a year from the taxpayer. Mr Alan Williams, Labour MP for Swansea West, protested that Mr Forth had made a "not even veiled threat" against the council, even though he had been told that it had not attacked Mr Viggers.

## Gamekeeper turns poacher to protect the consumer's rights

David Churchill meets the new head of the NCC

LADY WILCOX was last night coming to terms with the reality of being a consumer champion in the 1990s. As the newly appointed chairman of the National Consumer Council, the state-backed quango set up by the Labour Government in 1976, she was naturally "very disappointed" by the Government's success in watering down the proposed Consumer Guarantees Bill. The bill was the most far-reaching piece of consumer legislation for 10 years. The bill would have meant, according to Lady Wilcox, the end of "outmoded Victorian rules and regulations". Yet such a defeat is hardly likely to deter her from her ambitious plans to make the NCC more effective and better known in public during her three-year term of office. When she was first approached for the job last year she freely admitted her ignorance of what the council actually did. "Like many people, I had only a vague awareness of what the NCC was all about," she says. "But this isn't such a bad thing, since it means I can look at the problems facing the consumer from a totally fresh standpoint." Lady Wilcox, 50, was recruited by Mr Eric Forth, Consumer Affairs Minister - who was responsible for blocking yesterday's bill - from a career that took her to develop Channel Foods, a successful West Country foods

research work, tackling such issues as state monopolies and consumer credit. Critics say that the NCC has become little more than a cipher of the Government - its survival has depended on the lack of effective criticism of Tory policies rather than significantly improving the consumer's lot. Her business background has made Lady Wilcox wary of making snap judgments about the bill. "I've even read - for the NCC in the 1980s. She is busy drawing up a corporate plan which she says will reflect the changing society and demographics of the consumer. She clearly sees the NCC moving into a more strategic role, rather than the TUC and CBI - in formulating policy on a wide range of issues. "I want to be seen as an organisation that is consulted by the Government of the day at an early enough stage so that we can influence policy," she reveals. Her new-found missionary zeal to champion the cause of the consumer is already reported to be winning over many consumer activists who viewed her appointment from the business world with scepticism. Yesterday's failure in the Commons might, according to people who know her well, only serve to reinforce her commitment to completing her transformation from "gamekeeper turned poacher" in the cause of the consumer during the 1990s.

## Confidence bubbles up again in Perrier

By Philip Rawstorne

PERRIER WATER returns to the shelves of Britain's supermarkets on Monday after a six-week absence, confident that in spite of short-term losses its name and market share will be restored. Perrier (UK) withdrew stocks throughout the country after traces of benzene were found in the bottled water. The fizzy French water, heavily promoted in television advertising as "eau," was withdrawn from world markets by its parent company, Source Perrier, of France. Press advertisements last week heralded its imminent return in the same kind of bottles, but reassuringly labelled "New Production." The relaunch of one of the biggest growth brands of the 1980s continues this week with a £2m national campaign. Perrier had invested millions of pounds in building up its UK brand image and by the early 1970s was selling half a million bottles in Britain. On Monday, 1.5m bottles will go on to supermarket shelves. Looking back to February 14, when H. P. Bulmer, Perrier's UK distributor, had to reverse its role and start collecting some 1.5m bottles from the country's shops, restaurants and pubs, Mrs Wanda Marshall Foster, who since 1985 has been chairman and chief executive of Perrier (UK), says: "I do not think we had any choice but to withdraw all stock." Mrs Marshall Foster, a Norwegian-born former model, adds: "Our platform from the start was that it was a natural product, pure, and from a protected source. Once there was any question about the quality of the product, then there was really no alternative except to stop selling it until the problem was resolved. "Though there will be huge short-term losses, I firmly believe that it was the right thing to do to protect the long-term integrity of the brand."

## New ballot mirrors the first, believes Todd

By Michael Smith, Labour Correspondent

MR RON TODD, general secretary of the TGWU general workers' union, yesterday pinpointed six trade groups and four regions within the union in which fraudulent ballot papers were allegedly used to influence an aborted election for the TGWU's executive. Last month Mr Todd halted the election and ordered a re-run. He said yesterday that the results of the second ballot were the same as were being indicated by the first election when it was called off. Mr Todd said: "The second ballot was a mirror reflection of the first one. It would have been exactly the same executive first time round." In the second ballot the left won 22 seats against the right's 17. The balance on the previous executive was 21 to 18. Mr Todd said he had now finished his investigation and had handed over file of 25 pages with "nine of 10 appendices" to the police. "It is for them to determine how they will proceed with the inquiry." In a separate development, the TGWU's new national executive yesterday approved an



Ron Todd: finished his investigation

Bill Morris, deputy general secretary and Mr Eddie Haigh, assistant general secretary - would be challenged by prominent members of the union. The fraud attempt occurred as a result of a breach of security at Transport House, London, the union's headquarters. Mr Todd's inquiries have been passed on to Scotland Yard, six trade groups to which fraudulent ballot papers were subsequently passed. Mr Todd said Conservative law required to hold elections for the deputy and assistant general secretaries, both of which had previously been filled by executive appointments. He said it would be morally wrong if prominent members of the union stood against Mr Morris and Mr Haigh. Both men were ready to be challenged, however. Nominations for deputy general secretary will be accepted until May 11. The ballot, if needed, will close on June 22 with the count on June 27. Nominations for the post of assistant general secretary will open two days later with the ballot count in September if needed.

## Natfhe vote re-opens pay dispute

By Lisa Wood, Labour Staff

LEADERS of the largest college lecturers' union are to re-open their long-running dispute with local authorities and return to the negotiating table on Monday after a majority of less than 1 per cent of their membership voted to accept an 8.5 per cent pay deal. Natfhe put the offer, which was revised after talks with ACoS, the conciliation service, to its membership on a "neutral basis" - without any recommendation. The offer improved on an earlier 6.5 per cent proposed rise, by providing for a further 0.5 per cent rise on April 1 and a review on September 1. Lescab, which represents local authority employers, also shifted slightly on demands for changes in working conditions. Natfhe said yesterday that it had asked the Electoral Reform Society to check the ballot. It said: "We feel we are in a position to go back to the negotiating table and that we are in no position to make a settlement on the basis of the provisional ballot result." However, it added that if the society found a clearer majority then it would have to accept the offer. Lescab said: "Any new response to ACoS would be in the light of our previous discussions when we made it clear that we had gone as far as we could go."

## Craft deal means 30% pay rise

By Michael Smith

CRAFT workers at a Lyons Maid ice cream factory in west London will receive a 30 per cent rise in pay to 30 per cent - in addition to annual wage increases - following a multi-skill deal with the company. Mr Roger Butler, district secretary of the AEU engineering union, said the deal was one of a growing number being agreed in the area as employers sought to increase the flexibility of skilled workers and to tackle growing skill shortages. Companies were seeking craft workers who could turn their hand to both mechanical and electrical work. In addition

a big recruitment drive by British Airways was soaking up many skilled workers. In the agreement at Lyons Maid's Greenford site about 80 craft workers have won immediate basic pay increases of 5.5 per cent. They will be entitled to another 14.5 per cent if they pass each of two training packages set up in conjunction with the engineering industry training board. Mr Andrew Brown, Lyons Maid personnel director, said payment of the full 30 per cent would take between three and five years. Not all craft work is of equal quality. As part of

the deal the company expected to be able to reduce both staff levels and overtime. Mr Brown said the company had had problems with skill shortages. The deal was part of a trend in Lyons Maid towards more flexibility among workers. He said: "Increases of this size are necessary to the engineering industry to improve the image and attract the best. It is our union's objective to negotiate similar agreements at other factories." The Greenford factory's annual pay deal, to be negotiated separately, is due to come into effect in July.

## British Gas offers 9.75%

NALGO, the public service union, is recommending acceptance of a 9.75 per cent offer made yesterday to white collar workers by British Gas. The union, which represents 45,000 British Gas workers, put in for a "substantial increase" for the 12 months deal which has an April 1 settlement date. British Gas had opened its offer at 9.1 per cent.

## BT managers to strike over pay

By Charles Leadbeater, Industrial Editor

MIDDLE MANAGERS at British Telecom will next Friday stage a half day strike over their 1989 and 1990 pay claims as speculation mounted within the company yesterday that the reorganisation announced on Thursday would lead to a "night of the long knives" among higher management. Although the strike by members of the Society of Telecom Executives has been called over the company's proposals for a revised grading structure linked to the 1990 pay award, the reorganisation seems likely to fuel further discontent at BT.

Some managers said the planned reorganisation would create turmoil within the company as people found out over the next month what sort of jobs they might have within the new structure. Senior managers in the north of Scotland were called to a meeting with the district general manager, a month ahead of schedule, to be told that the district would be disbanded and with reductions in management staff of about 20 per cent. One manager said the general manager had told the meeting: "I am not sure

whether I will have a job at the end of this and I am not sure how many of you will." BT managers expect the 27 districts will be consolidated into 9 regions, with the three Scottish regions consolidated into a single unit. Many of the district managers who were given considerable power after privatisation in 1984 are likely to either leave the company or move to new jobs. While the trade unions were told about the changes on Wednesday night, the district managers were only told on Thursday at an hour long briefing for 200 top managers.

## NHS staff claim

LEADERS of the 180,000 National Health Service auxiliary staff, including domestic and porters, yesterday formally submitted a flat-rate pay claim of £17.35 a week which would increase the pay of the lowest paid to £10.65 for a standard 39 hour week.

## Cohse survey

IN a survey of ancillary workers by Cohse, the health care union, three quarters said they had considered leaving their job. Cohse said low pay was the main reason given for most wanting to leave. Recent big retail sector pay rises would draw staff away from the NHS said a union spokesman.

## MacGregor backs opt-out by school

MR John MacGregor, the Education Secretary, yesterday stood by his decision to allow a school to opt out of a local education authority's control. The High Court ordered Mr MacGregor last month to reconsider his decision, announced last August, to allow Beechen Cliff School in Bath to opt out and to reject the proposals to re-organise secondary education in the city. He said yesterday his re-examination had reached the same conclusion as before. Mr Jack Straw, the shadow Education Secretary, said: "This is an outrageous decision which places prejudice before the interests of children and their parents." Beechen Cliff will become the 36th school to achieve grant-maintained status by opting out of the control of its local education authority.

## Private-sector race to run business aid plan

By Hazel Daint

MR Nicholas Ridley, Trade and Industry Secretary, is seeking private-sector bodies to lead the enterprise initiative that is the Government's prime means of assisting businesses. His move, however, has stirred rivalries between possible candidates. The Confederation of British Industry (CBI) does not want the country's chambers of commerce to be given overall charge of the initiative. At the same time, the new Training and Enterprise Councils (TECs) are potential runners. The enterprise initiative, launched two years ago by Lord Young, former Secretary at the Department of Trade and Industry (DTI), aims to make businesses more competitive by helping them to help themselves. Chambers of commerce have applied to act as the Government's agent. The chambers

have an established network of local offices, which the DTI views as an important asset in that it wants to make services easily accessible to businesses. The chambers also argue that business help could be better administered through a single body rather than being scattered among many. On the other hand, the chambers suffer from inconsistent quality: about 20 are of an equivalent standard to continental chambers, but many more are not. The CBI would prefer the enterprise initiative to go to the TECs. Last summer, the DTI proposed an enterprise initiative pilot scheme to be run by the TECs, but there was little response from the TECs. However, now the TECs are being formally set up, the possibility of their running the initiative is being re-examined.

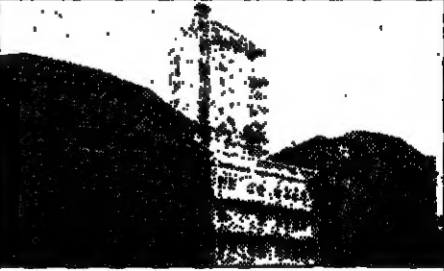
## LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE  
NO. 00203 OF 1990  
CHANCERY DIVISION  
IN THE MATTER OF SMITH  
NEW COURT CORPORATE  
FRANCE LIMITED  
-and-  
IN THE MATTER OF THE  
COMPANIES ACT 1985  
Notice is hereby given that a Petition was on the 28th day of March 1990 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share capital of the above-named company by £1,000,000.  
And Notice is further given that the said Petition is directed to be heard before the Honorable Mr. Justice Warner at the Royal Courts of Justice, Strand, London WC2N 2LL on Monday the 30th day of April 1990.  
Any Creditor or Shareholder of the said company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.  
A copy of the said Petition will be furnished to any such person requesting the same by the undersigned Solicitors on payment of the regulated charge for the same.  
Dated this 21st day of March 1990  
Arthur Morris Crisp  
Broadwalk House  
5 Abchurch Lane  
London EC4A 3DF  
Solicitors for the said company

NO. 00203 OF 1990  
IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
MR HUGHSTON DEWHURST  
IN THE MATTER OF TRANWOOD  
PUBLIC LIMITED COMPANY  
-and-  
IN THE MATTER OF THE  
COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that a Petition was on the 21st March 1990 presented to Her Majesty's High Court of Justice for (a) the confirmation of a Scheme of Arrangement and (b) the confirmation of the reduction of the share capital of the above-named company from £2,700,000 to £1,944,400.00 by cancelling 250,000 ordinary shares of £1.00 each.  
And Notice is further given that the said Petition is directed to be heard before the Honorable Mr. Justice Warner at the Royal Courts of Justice, Strand, London WC2N 2LL on Monday the 30th day of April 1990.  
Any Creditor or Shareholder of the said company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.  
A copy of the said Petition will be furnished to any such person requesting the same by the undersigned Solicitors on payment of the regulated charge for the same.  
Dated this 21st day of March 1990  
Theodore Goldring  
21 Abchurch Lane  
London EC4A 3DF  
Solicitors for the above-named Company

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# FINANCIAL TIMES

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Saturday March 31 1990

## What goes up must go down

**PITY POOR Japan.** Economic growth has been running at a mere 5 per cent, labour shortages have become a serious concern, consumer price inflation has soared to 3 per cent and the current account surplus is running at 1 1/4 per cent of gross national product. What would it be like, the finance ministers of the world must wonder, to have problems like these?

Investors seem to take a less favourable view. On a trade-weighted nominal basis the Japanese currency has fallen by 23 per cent from its peak at the end of 1988. Meanwhile, the Tokyo stock market, which stood like a rock during the global crash of October 1987, has collapsed at last.

The fall of more than a fifth in the Tokyo market has wiped out all the gains of 1989 (just as happened to western markets in the crash of October 1987). Owners of Japanese stocks are, on paper, some \$600m poorer than a few months ago. The capacity of the Tokyo market to go up and up, once one of the wonders of the financial world, has proved limited after all.

Some suggest that the Japanese authorities have, like King Canute, proved their incapacity before the financial tide. This conclusion is misleading. For the remarkable feature of Japanese policy-making has been the public contest between Mr Yasuichi Mieno, governor of the Bank of Japan and the supposedly all-powerful Ministry of Finance. Mr Mieno seems to have won. He has demonstrated, not before time, that the monetary party is over.

Japan long stood out against the global trend to higher short-term interest rates. Times have now changed. The monetary ease that followed the downturn in the dollar in 1988 and reached its peak in 1987, with the huge support operation for the dollar, is ending.

### Exchange rates

These developments can only be understood against the background of global exchange rate movements. For example, the doubling of price earnings ratios in the Japanese equity market, which moved valuations from historically more normal levels to the stratospheric ones of recent years, occurred precisely as the dollar was weakening in 1988.

This was no accident. The dollar's decline heralded a laxer Japanese monetary policy. Moreover, with a rapidly weakening dollar, the capital flows that were required by the then Japanese current account surplus of 4 1/4 per cent of GNP would only occur if Japanese

asset prices were high enough to make even US assets attractive.

All things come to an end. By the end of 1987 the yen had been credibly stabilised. Then, the strong currency with low interest rates tended to depreciate. With a weakening currency and asset prices already astronomical, substantial further appreciation in domestic asset prices was required merely to keep investors in the market. But in 1989 a yen-based investor would have obtained a total return of 64 per cent in German equities, 50 per cent in the US and a mere 19 per cent at home. Given unfavourable interest rates as well, it is no surprise that capital has continued to flow out at an impressive rate, with direct investment augmenting the pressure.

### Lax policy

Lax monetary policy and a high yen also stimulated rapid growth in domestic demand and halved the Japanese current account surplus as a share of GNP. The desired capital outflow came to exceed the current account surplus. As in 1988, asset prices have to adjust, but in the opposite direction. The shocks abroad — the developments in eastern Europe, the consequent re-rating of German assets and the general rise in world interest rates — and the rise in interest rates at home have triggered the re-rating. Asset prices that are unlikely to go up tend to go down.

Japan will not remain a "sell" for long. The weak yen and tighter monetary policy will, in time, produce another export surge, a rise in the current account surplus and a recovery in asset prices and the yen. Unfortunately, this process will also create substantial international friction, notably over trade.

So far at least, the correction in Japan appears globally benign. Foreign companies will certainly be pleased to see their Japanese competitors facing higher costs of capital. What will be the social benefits if property prices follow a comparable path is a larger question, to which there is at present no answer.

A separate concern is the way in which the ad hoc global economic co-ordination of recent years is throwing up as many problems as it resolves. Another round of soaring Japanese current account surpluses is the last thing the world needs. This is not a problem to which the Japanese alone have the solution, but then can at least take some of the pressure off the rest of the world's economy. The markets may storm; Japan can weather it.

In Chifley Square, in the heart of Sydney's financial district, stands a huge half-finished office complex. "The Bond Building," says the fly-blown contractor's hoarding, "First of a new generation. Australia's most advanced office building. State of the art technology for the 1990s and beyond."

Mr Alan Bond, the beleaguered entrepreneur, no longer owns the building. It was sold earlier this month to a Japanese developer, reportedly at a substantial loss. In that respect alone, it could stand as a memorial to a generation of Australian entrepreneurs whose grandiose and debt-ridden visions of the 1980s came to pieces before the decade even started.

Other parts of their legacy are now painfully apparent. Established Australian companies are having difficulty in borrowing, whether at home or abroad. If they try to do deals overseas, they are liable to be dismissed as cowboys. Their business practices are called in question, and their published accounts are disbelieved.

The orthodox business community wants someone sent to jail, but is openly sceptical about the government's stomach for the job. The government, some allege, is prepared to countenance the occasional business collapse as a means of cleansing the system. For corporate Australia as a whole, is there life after Bond?

It might seem unfair to blame all this on Bond himself. His collapsed empire was only the highest of many: Quinlan, Rothwell, Speddy, Westmac, Goldberg, the National Society Council — the common theme being hugely over-ambitious borrowing in the boom of the late 1980s. It all goes to show, as a Sydney stockbroker wryly remarks, that credit analysis is not the best paid job in Australia.

"But Bond will be the symbol, no question about it," says Mr Ian Thompson, head of corporate banking at Westpac. "There hasn't been a catharsis like it in Australia since 1974. The reputation of legitimate Australian companies has been hurt in terms of image and creditworthiness."

A senior investment banker in Sydney agrees. "There's a much greater reluctance by foreign banks' head offices to extend credit to Australian companies. And the domestic banks are seriously preoccupied with sorting out what they have, and very dubious about taking on more."

The difficulty does not appear to extend to the top handful of Australian corporations. The building products giant CSR, for instance, bought a large US business from Hanson late last year. Mr Bill Bennett, a CSR director, says: "We raised over US\$500m for that deal from a consortium of international banks in January, and we did it on our terms."

### The problem is one of substance: the fact is that Australia is over-borrowed, and only partly because of the entrepreneurs

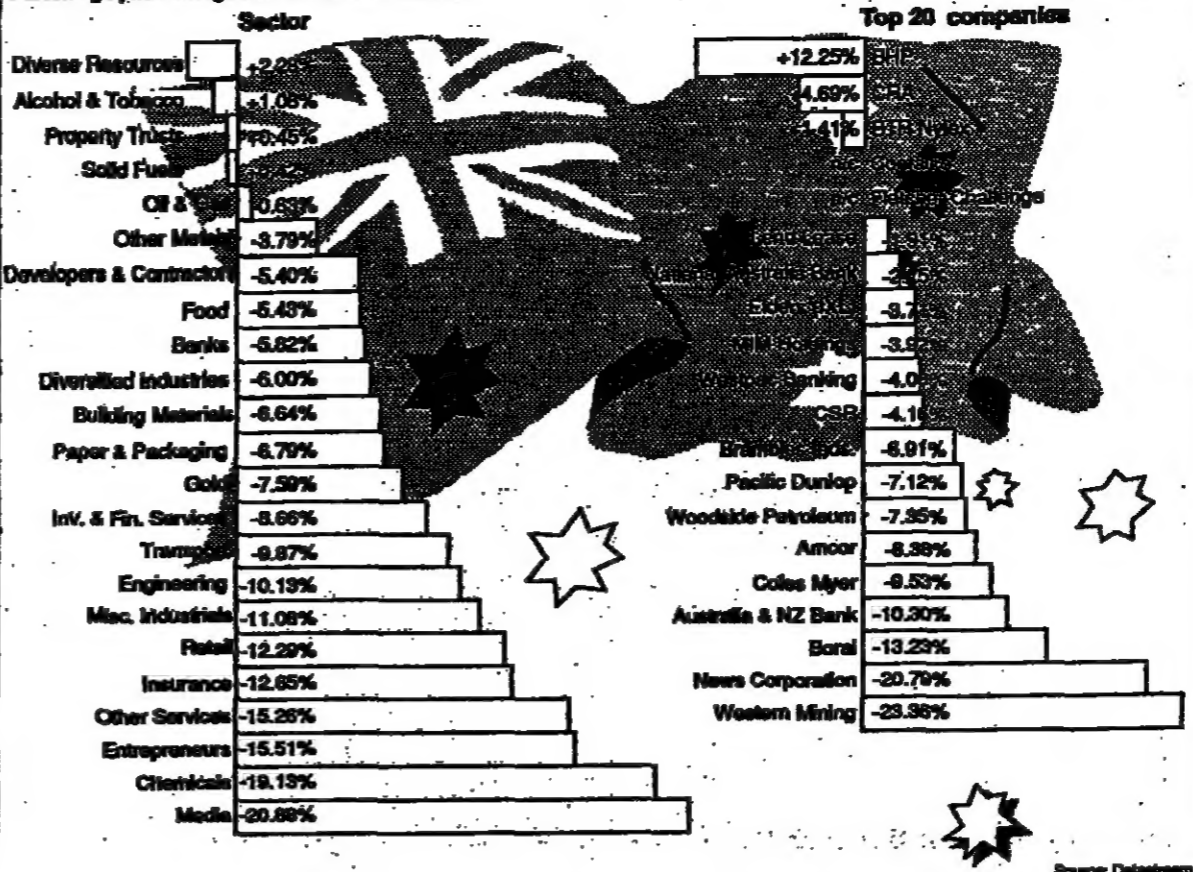
"But there's no doubt the Bond factor has made life difficult for those not seen to be blue chips, or who aren't well known. And it's made things even more difficult for small businesses, who are caught between a combination of high interest rates and the banks seeking more and more security."

On the other hand, the problem is one of substance as well as image. The fact is that Australia is over-borrowed, not only partly because of the entrepreneurs. Of its crippling balance of payments deficit, more than half — \$41bn (25.09bn) — consists of

## Tony Jackson reports on life in corporate Australia after the collapse of Bond's empire

### Australian equity performance

Percentage price change from 31.12.89 to 29.3.90



## The down-side of the greed cycle

overseas debt servicing. "The volume of Australia's overseas debt is such," Mr Thompson says, "that people can quite legitimately say they've got enough already."

This is partly the result of a persistent Australian tendency to consume more than is produced, which, in turn, is due to basic imbalances in the economy. It also owes much to deregulation of the Australian banking system in the mid-1980s, which led to a credit boom of which the entrepreneurs were as much the product as the cause.

"It's been an extraordinary five years in Australian banking history," says Mr Ronald Beever, of Rothschild Australia. "Often, the new foreign banks have been the more prudent lenders. The big banks — Westpac, ANZ and National Australia Bank — over-lent as a means of keeping foreign market share low."

"The other group which got into the act was the Australian state government-owned banks. Their lending was traditionally to rural industry on a semi-subsidised basis, or housing loans. Their credit officers were totally unequipped to assess big business credits. Now the bad debts have come to a head."

The result of all this is Australia's present high interest rate regime, and the fact that debt and interest rates played a central part in the Australian elections earlier this month. "If you talk to the government," one financier says, "they're quite pleased to see it all happen. They're happy to

see a property collapse and the odd entrepreneur go down, so long as it's not a big manufacturing company."

However much it hurts, in other words, there is at present necessity to turn off the tap. "If that means there are going to be problems," says Mr Mark Johnson, of Macquarie Bank, "that's the price you have to pay to cleanse the system."

"Australia has always been a highly leveraged country — leveraged to the economic cycle, and to the stock market cycle too. We've always had big debts and big profits coming out in the mining cycle and the property cycle. They need to be cleaned out. And if smaller companies are having a tough time — after all, we're supposed to be having a credit squeeze."

The other side of the problem lies with the domestic banking system. Mr Nicholas Whitlam, an investment banker and son of the former Australian Prime Minister, says: "All the banks have been hurt, without exception. They're all in the same bad boat. They've been traumatised into inactivity, and seem reluctant to do anything other than wait with the credit freeze. It's not a balance sheet problem, more psychological. For a lot of bankers, the creditworthiness of the institutions they represent is being questioned for the first time by their peers and their customers."

As Mr Whitlam also points out, this cannot do on. "You can't just take deposits, you have to lend as well. It's not a bad thing that we're going into a very conservative phase, with the

emphasis on the relationship between bank and client. But it can't last too long; otherwise the results of the banks will start to deteriorate, since they won't be doing any business."

Persuading overseas investors to return to Australia may be another matter. "When it comes to corporate debt," a senior banker says, "the Europeans will want good names. But they might have seen Bond and Bell as good names in the old days. Now they'll discriminate against Australian names, whether good or not."

As the same banker points out, this brings in the whole question of Australian accounting standards. The problem was brought into sharp focus by the accounts of Bond Corporation, which were passed by the auditors as accurately as 1988, then found with qualifications last November when the damage had already been done.

The problem with Australian accounts lies not so much with the standards themselves — which are in principle very similar to those in the UK — but with their enforcement.

"You tend to rely on a clean auditor's certificate," the banker says. "It was only when Bond and Bell started to get qualifications last year that you realised how much elasticity there is. But then, the accountants aren't wholly in control. If you think you're going to lose an account, because the fellow's going to slip around, one can be forgiven for thinking it colours the judgement."

In the great days of the entrepreneur, the loopholes were many. A

typical one — exploited with panache by Mr Bond — involved put and call options on property.

Given the steep rate of property inflation in the late 1980s, it was not uncommon to find that a property on the books at say A\$20m would be worth A\$50m in the market. The conventional approach would be to revalue it on the balance sheet but this would do nothing for profits.

The dodge, therefore, was to arrange a put and call option with a friendly partner, whereby the property was notionally sold with the right to buy it back later on. In extreme cases, the seller might not even vacate the building. Though no sale had taken place, this would give rise to a profit — in the example given — of A\$30m. This could then be represented as cash flow to support further borrowing.

It was always possible for auditors to stop this kind of thing. To stiffen their backbones, the accounting standards being brought in under a new body, the Accounting Standards Review Board, have the force of law.

Mr John Richardson, of the accounting firm KPMG Peat Marwick, says: "There is pressure from the business community and the community at large to say 'how is it that these entities, which seemed profitable and well run, have suddenly failed?' But there's been a significant change since the introduction of approved accounting standards. A lot of people ask what use auditors are. One use is the backroom work they do with directors, pointing out to them their obligations and what is true and fair. Nothing clarifies the minds of directors like pointing out the penalties to them."

Australia's business and financial leaders, thirsty for revenge over the damage all this has done to their reputations, want to see someone locked up. But there is remarkably widespread cynicism about the likelihood of this happening.

A senior banker says: "The image of Australian business in the early 1990s will be determined by the response of the authorities to these people's shenanigans. But this is getting into the area of relationships between government and business, which are pretty close. When they get close, they get unsavoury. The government doesn't want to take lids off more came with more worms inside."

Mr Beever, of Rothschild, says: "We need someone in jail, and that won't happen. The Labor party would find it too embarrassing for the Labor state government in Western Australia, and the Liberals are too much oriented to big business. And the legal system here is slightly out of control." At the same time, Mr Thompson says: "There's a lack of outrage in the country in general. If there is any, it's loosely directed — not towards the

**It's the cycle of greed and it's happened before... We never learn lessons. We just relearn the basics we were taught at college'**

authors, but towards the effects. There is a Ned Kelly tradition in Australia, and anyone who gets away with anything earns a bit of respect. Perhaps that note of tradition, with the philosophical acceptance it implies, is the best synopsis of the Bond legacy.

The chief executive of one of Australia's leading merchant banks sums it up: "It's the cycle of greed, and it's happened before; like the Fossilised bones, which took us through to the collapse of 1973. We never learn lessons. We just re-learn the basics we were taught at college."

### MAN IN THE NEWS

Bill Hayden

## The factory man takes the reins at Jaguar

By Kevin Done



manufacturing strategies for the next 15 to 20 years.

The Haydens had even taken the lease on a house in the US, before Ford's sudden success in out-manoeuvring General Motors, its arch domestic rival in the battle to capture Jaguar, kept him in the UK instead.

Hayden, renowned inside Ford as a tough but straight-talking manager, who commands enormous respect for his detailed knowledge of the manufacturing process and his closeness to the shopfloor, is set to take as dramatic an impact on Jaguar as Sir John Egan himself.

There could hardly be a sharper contrast than that of Sir John and Bill Hayden. Sir John, knighted in 1986, as one of Prime Minister Margaret Thatcher's most potent mid-1980s symbols of the success of the Government's privatisation programme, has built a reputation as a dynamic entrepreneur, even if it became a bit tarnished as Jaguar's profits

melted away in the last two years. "I am a straight-forward capitalist businessman, not a professional car man stuck to one industry," he said this week.

Bill Hayden, on the other hand, is a car man through and through, a man fascinated by the intricacies of the vehicle manufacturing process.

Born in Custom House in London's dockland, close to the West Ham speedway track, Hayden will still look comfortable emerging from a working man's club. An ardent supporter of West Ham United and a season ticket holder, with his wife, of more than 15 years standing, he says that "Kaiser cricket, West Ham football, golf — a 16 handicap — gardening and my four grandchildren are my life. Put the grandchildren in first place."

He has eschewed the director's box at West Ham. "I walk through the turnstiles, I have sat with the same people for 15 to 20 years, some off the shop

floor at Dagenham," he says.

"He has always wanted to be one of the lads," says a union official close to dealings with Ford, "a plain-speaking type of bloke, he gets on well with the people at Dagenham, but he sometimes does not deal as well with the union leaders."

In one celebrated instance last year, when Hayden was explaining to the unions his controversial reasoning for taking production of the Sierra away from Dagenham and moving it to Ford's much more productive Genk, Belgium plant, the whole trade union side walked out in protest at his "dismissive" attitude, with Jimmy Airlie, the Amalgamated Engineering Union's secretary of the Ford Negotiating Committee declaring: "I am not one of your office boys."

In the dash for growth and survival at Jaguar in the last decade much has been left undone and it is here that Hayden can expect to make a lasting contribution as he plans

for a future in which Jaguar is manufacturing up to 200,000 cars a year with an expanded model range including a new sports car, inheritor of the E-Type mantle, and a new, smaller, sporty saloon, harking back to the old Mark II.

It is a big challenge. Today Jaguar is barely breaking even, with a production of less than 80,000 cars a year and manufacturing traditions that have more to do with hand-building than automated car-making.

The key to Jaguar's future, says Hayden, is "to turn round the efficiency." The workforce was halved, because Jaguar had tripled its production volumes since 1980 "by hand methods. We must develop the company on to a higher volume base. With little increase in the workforce we want to get much higher volumes."

Jaguar's production methods were inefficient. There were "still-demonstrations at all three (Jaguar) plants that were not known at Ford. Some we have never had, some we had 15 years ago but they have long since disappeared."

In a vast company like Ford Hayden says it is important to have someone at the head of Jaguar that knows the Ford system, but also knows how to hold "the wolves" at bay. "I know how to work the system, and the total Ford board wants Jaguar to run as a separate company. I know how to stop them coming in when I want to. At my age I have nothing to fear. I have the clout of feeling personally independent."

With a deep Ford financial background before moving into manufacturing, Hayden has played a leading role in several earlier Ford takeovers, including the merger with Fiat, the takeover of Rover and the setting up of a Ford manufacturing operation for Grabada/Scorpio cars in Gorik in the Soviet Union.

The takeover of Jaguar is the first success we have had. It helps that it is the nearest one. I am very grateful that I am not in Gorik now."

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## ECONOMIC DIARY

**TODAY:** European Community finance and economic ministers meet informally at Ashford Castle, Ireland, to discuss the anti-inflation campaign. The London market is expected to be quiet.

**TOMORROW:** World conference on tobacco and health in Perth, Australia.

**MONDAY:** CSI monthly trends survey (March). Finished steel consumption and stock change (fourth quarter final). Retail sales (February final). Credit business (February). US construction spending (February). Start of two-day meeting of the European Council in Luxembourg. European Parliament in plenary session in Strasbourg (until 6th). Annual meeting of Inter-American Development Bank governors in Montreal (until 4th). Defence White Paper published. Mr Nelson Mandela of the ANC and Zulu chief Mr Mangosuthu Buthe meet.

**TUESDAY:** UK official reserves (March). US leading indicators (February). European Community internal market council meets in Luxembourg. FAO regional conference for Europe meeting in Rome (until April 7th). Galt Council debates the panel "screwdriver" ruling for Japan and against EC.

**WEDNESDAY:** Advance energy statistics (February). Detailed analysis of employment unemployment, earnings, prices and other indicators. National Economic Development Council meets. Teachers' union NASUWT stages one-day strikes over pay. Financial Times holds conference "Venture Forum '90" at Hotel Inter-Continental, Paris. Mr Edward Shevardnadze, Soviet Foreign Minister, visits Washington for talks with Mr James Baker, US Secretary of State (until 6th). African information ministers meeting in Abuja.

**THURSDAY:** Housing starts and completions (February). US-Japan trade talks resume on satellites (as part of SII negotiations). Green Party conference in Wolverhampton.

**FRIDAY:** US unemployment report (March). Latvian Communist Party congress.

## LONDON TRADED OPTIONS

THE EXPIRY of March FT-SE futures and options contracts and the expiry of the stock market's Tokyo were the focus of the day's trading in the futures market.

The March expiry had led to a gradual increase in turnover through the week, though yesterday's session was more subdued. In the run-up to the expiry the futures market traded a small premium to the cash market and was led by the underlying index.

After the expiry, which dealers said was smooth, the market started to fall back on worries about the US economy and the political situation in the US.

At the close, the futures market stood at a premium of just over 14 points, against a fair value premium of between 55 to 58 points. The June FT-SE index

closed 41 points lower at 2,250, having traded at 2,270.

The March index expired at 2,270, the FT-SE traded a total of 11,772 lots, of which 3,284 were calls and 7,708 were puts.

Among the stock options, BP was the most active, trading 3,808 lots, as James Capel sold 500 July 380 calls at 7 1/2 and 3p, and bought 500 October 380 calls at 15p.

British Steel was the second busiest as investors bought calls and stock following a presentation to US analysts. The October 140 calls were a popular purchase.

British Steel traded 2,082 lots, of which 1,447 were calls and 1,215 were puts.

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## FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

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## INTERNATIONAL COMPANIES AND FINANCE

## Murdoch sells weekly US tabloid paper for \$400m

By Roderick Oram in New York

NEWS Corporation, the global media empire of Mr Rupert Murdoch, has sold the Star, a downmarket tabloid weekly newspaper in the US, for \$400m and will use the proceeds to trim its extensive debt load.

The purchaser is G.E. Group, publisher of the National Enquirer and Weekly World News, which like the Star are gossip and sensational newspapers sold primarily at supermarket cashier counters.

News Corp will receive \$200m cash, which will pay down some of its debt, and the balance in preferred shares. News Corp needs the funds, because of its expensive start-up of the Sky Television satellite service in the UK last year and the debt burden from several large acquisitions in recent years.

For example, it paid \$20m for Triangle Publications, publisher of the TV Guide in the US. Analysts said TV Guide's circulation and advertising volume has fallen since News Corp took over.

While News Corp plans no other disposals at the moment, it may sell other assets in due course, the company indicated.

Some industry observers also wondered if Mr Murdoch was moved to sell the Star for strategic as well as financial reasons. He has shown signs recently of wanting to improve the editorial standing of his publications. The Star, renowned for its hyped and titillating articles, would not fit such a strategy.

News Corp's statement on its sale of the Star said it and National Enquirer, its arch

rival, were "mass market, general interest weekly periodicals with a broad range of content featuring personality and human interest, health and fitness, news and medical articles".

In fact, both publications are highly popular, for example, for medical articles on topics such as two-headed babies or whether it is safe to have sex with a space alien.

News Corp started the Star 16 years ago as a competitor to the National Enquirer. Currently the Star's circulation is 3.5m and the Enquirer's 4.5m.

The purchase will give G.E. Group a dominant position at supermarket cashier counters, a power which could harm distribution of News Corp publications, such as Soap Opera Digest and TV Guide.

## Volvo ready to revise deal with Procordia

By Robert Taylor in Stockholm

VOLVO, the Swedish vehicle group, said yesterday it is ready to revise its proposed \$1.25bn (£800m) deal with state-controlled Procordia, as long as this does not undermine the original intention of merging their food and pharmaceutical businesses.

The aim of the deal, announced late last year, is to turn Procordia into a substantial force in the west European consumer product market.

But the deal has run into serious political trouble over the past few days. Parliamentary approval is required because the state holds 78.1 per cent of the equity in Procordia and 90.5 per cent of the voting shares.

The main non-Socialist opposition parties dislike a provision in the agreement giving Volvo first option in buying the remaining shares in the new Procordia in the event of its eventual complete privatisation. Instead, they favour a wider dispersal of ownership.

The ruling Social Democrats lack a parliamentary majority and must rely on support from other parties to govern. The critical attitude of the Moderates and Liberals to the planned Volvo-Procordia deal has come as a surprise to both companies but they hope the doubts can be overcome before May 9 when Parliament is expected to vote on it.

Yesterday the prospectus for the new Procordia was published. Together the component parts of the planned food processing and pharmaceuticals group made a pre-forma profit (after financial items) of \$184.5m last year on a turnover of \$1.27bn.

This puts the new Procordia among the top 15 companies in the Nordic region. In his foreword to the prospectus Mr Sten Gyll, Procordia's managing director, said the group was a "logical step" in a long-term strategy to increase and deepen Procordia's presence in food products and pharmaceuticals across western Europe from a powerful and stable Nordic base.

Mr Gyll, linking Volvo's food and pharmaceuticals divisions with Procordia's existing consumer products and services, covering hotels and restaurants.

The Procordia prospectus says it will achieve an annual increase in turnover of 12 to 14 per cent, with a return on capital of 17 to 19 per cent.

## ANZ 'to link with National Mutual'

By Our Financial Staff

AUSTRALIA's New Zealand Banking Group (ANZ), one of Australia's four biggest commercial banks, proposes to merge with National Mutual Life Association of Australia, the country's second biggest insurance and funds-management group, Mr Paul Keating, Australia's Treasurer, said last night.

A merger would form Australia's biggest financial company, with assets exceeding \$170bn (US\$125.5bn). The two companies would say only they had been in discussions about a "closer association" for some time but that "no firm agreements have been reached".

Mr Keating said the proposed merger would follow the precedent set by the merger of National Mutual Life with the National Mutual Life of New Zealand, a joint venture between Royal Bank of Canada and National Mutual Life.

Earlier yesterday Mr Keating said he had provisionally approved ANZ's acquisition of National Mutual Royal Bank, although ANZ said it had not yet reached a final agreement.

Industry analysts expect ANZ will pay up to \$950m for the joint-venture bank that was started in 1985. An announcement may be made over the next few days.

Mr Keating said the proposal to merge ANZ with National Mutual Life had not yet been approved as prudential and other policy issues needed to be considered.

He said ownership of National Mutual Royal Bank would revert to National Mutual Life if the merger was not approved by the Government or supported by National Mutual Life policy holders.

Westpac Banking owns a 7.5 per cent interest in ANZ and National Australia Bank has a stake of about 4 per cent. Both banks could try to block the proposed merger between ANZ and National Mutual Life, or look for merger partners themselves.

But Mr Keating played down the possibility of the Government approving any mergers between Australia's four biggest banks: ANZ, Westpac, National Australia Bank and government-owned Commonwealth Bank.

Analysts say Melbourne-based ANZ wants to acquire National Mutual Royal Bank mainly for its large number of retail branches in Sydney.

ANZ's 1989 profit rose 1.7 per cent to \$1.25bn (£800m) on a 1.5 per cent increase in assets. The bank's earnings per share rose 1.7 per cent to \$1.25 (£800m) on a 1.5 per cent increase in assets.

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Frank Keating: merger not yet approved

## Bancario San Paolo edges ahead

By Hely Simonián in Milan

ISTITUTO Bancario San Paolo, Italy's second biggest bank, lifted net profits 8.5 per cent to L660bn (€448m) last year from L616bn in 1988. Gross operating earnings jumped 20 per cent to L1,630bn.

San Paolo, currently a foundation, is one of the banks most likely to gain from Italy's new Amato law, passed by the lower house of parliament earlier this week. Under the legislation, which still has to be approved by the Senate, such banks will be able to become quoted companies and float part of their capital on the stock exchange.

Total assets leaped 30 per

cent to L111,000bn last year from L100,700bn. Total group deposits rose more than 26 per cent to L90,893bn from L69,660bn, and lending increased 23 per cent to L49,683bn from L39,630bn.

The gains were even sharper at the bank's core business, deposits climbing 35 per cent to L68,000bn while loans soared by almost 45 per cent to L38,000bn.

The bank, which has been developing a string of international alliances with other financial institutions, notably Banque Paribas in the UK and Selezione Brothers in the US, attributed the earnings improve-

ment to consolidation of its position in the domestic market, particularly on the lending side.

Growth in international business was another factor. Growth has been particularly visible in France, where last November San Paolo merged its activities with those of Banque Paribas, purchased in 1987, to form Banque Sampaolo.

The French presence was further strengthened this week with the decision to integrate Banque Paribas Commerciale, bought from the Swiss group last October, into Banque Sampaolo, giving it a local network of almost 50 branches.

## Sun Hung Kai interim leaps to HK\$1.22bn

By John Elliott

SUN HUNG KAI Properties, one of Hong Kong's biggest property developers, which is controlled by the Kwok family, has reported a 36 per cent increase in profits attributable to shareholders of HK\$1.22bn (US\$156.4m) for the six months to December 31. This compares with HK\$903.1m last year.

Turnover rose 12.4 per cent to HK\$2,010m from HK\$1,790m. During the period property sales generated by the group, both as principals and agents, rose 42 per cent to HK\$3,260m from HK\$2,300m. In the nine months to this March, revenue from sales reached HK\$3.5m.

Mr Kwok Tak Sang, chairman, said the group's investment properties were "enjoying nearly full occupancy".

An interim dividend of 28 cents was declared.

## Pernod Ricard earnings boosted by acquisitions

By William Dawkins in Paris

PERNOD RICARD, the internationally acquisitive French drinks group, which in two weeks took over Irish Distillers, yesterday reported nearly doubled 1989 net profits of FF1,450m (€245m), against FF745m previously.

The underlying profits growth was nearly 17 per cent, after stripping out one-off gains from the sale to Coca-Cola of Société Parisienne de Boissons Gazeuses, the group's Coca-Cola bottling and distribution subsidiary. However, the group said even this smaller increase was well above earlier expectations.

Turnover rose 22.3 per cent to FF1,810m, including a six-month contribution from the Coca-Cola business before its disposal.

There were first contributions from Irish Distillers and

several other acquisitions; Orlando Wines, Australia's second largest wine group, in which Pernod Ricard took a majority stake last May, Man-grove Mountain, an Australian fruit processor, Camel, an Italian wine supplier, and Anes, a French producer of cider and calvados.

Mr Patrick Ricard, chairman, said the results reflected the successful integration of new acquisitions and a strong performance by the group's main brands on national and export markets.

Since the turn of the year, Pernod Ricard has acquired, through its subsidiary, another Australian wine group. The acquisitions have greatly increased Pernod Ricard's non-French activities; 58 per cent of group sales are now in France and 43 per cent abroad.

## WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year 1989	High 1989	Low 1989
Gold per troy oz	\$380.75	+19.50	\$368.75	\$420.35	\$308.00
Silver per troy oz	\$32.15	+1.15	\$31.00	\$33.50	\$27.50
Aluminium 99.7% (cash)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Copper Grade A (cash)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Lead (cash)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Nickel (cash)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Zinc SHG (cash)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Cocoa Futures (May)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Coffee Futures (May)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Sugar (LDP Raw)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Barley Futures (May)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Wheat Futures (May)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Cotton Futures (May)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Cottonseed Oil Index	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Wool (Sax Super)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Oil (Brent Blend)	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50

Per tonne unless otherwise stated. Unquoted, p=premium, c=costs, b=basis.

## Spot Markets

SPOT MARKETS	Latest prices	Change on week	Year 1989	High 1989	Low 1989
Crude oil (per barrel FOB)	\$18.45	+0.05	\$18.40	\$18.45	\$18.35
Diesel	\$18.45	+0.05	\$18.40	\$18.45	\$18.35
WTI (1st oil)	\$18.45	+0.05	\$18.40	\$18.45	\$18.35
Oil products	\$18.45	+0.05	\$18.40	\$18.45	\$18.35
Crude oil (per barrel FOB)	\$18.45	+0.05	\$18.40	\$18.45	\$18.35
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Oil products	\$18.45	+0.05	\$18.40	\$18.45	\$18.35

Per tonne unless otherwise stated. Unquoted, p=premium, c=costs, b=basis.

COCAINE - London F&O	Latest prices	Change on week	Year 1989	High 1989	Low 1989
May	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Jun	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Jul	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Aug	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Sep	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Oct	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
Nov	\$1,100.00	+1.75	\$1,098.25	\$1,100.00	\$1,096.50
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Prices supplied by Amalgamated Metal Trading			
AM Official	Kerb close	Open Interest	
	Ring turnover	15,676 tonnes	
1980-1			
1981-4	1981-500	40,171 tons	
	Ring turnover	50,775 tonnes	
1982-4			
1983-1	1983-4	71,587 tons	
	Ring turnover	18,650 tonnes	
500-4			
480-1	475-8	10,474 tons	
	Ring turnover	612 tonnes	
9160-200			
900-90	9000-100	7,577 tons	
	Ring turnover	2,430 tonnes	
9790-00			







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[illegible]

## FT UNIT TRUST INFORMATION SERVICE

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Unit Trust Name	Price	Change	Unit Trust Name	Price	Change	Unit Trust Name	Price	Change	Unit Trust Name	Price	Change
National Financial Management Corp PLC	100.00	0.00	Providence Capital Life Ass. Co Ltd	100.00	0.00	Royal Heritage Life Assurance Ltd	100.00	0.00	Shawdon Life Assurance Co Ltd	100.00	0.00
...	...	...	...	...	...	...	...	...	...	...	...
<b>OFFSHORE AND OVERSEAS</b>											
<b>GUERNSEY (SIB REGISTERS)</b>											
<b>MANAGEMENT SERVICES</b>											
<b>JERSEY (SIB REGISTERS)</b>											
<b>LUXEMBOURG (SIB REGISTERS)</b>											

John, in 1980

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-825-2122.

## Money Market Bank Accounts



## WORLD STOCK MARKETS

## AMERICA

## Equities slip on signs of faster economic growth

## Wall Street

ANOTHER drop in the Treasury bond market, in response to an economic report suggesting that the economy expanded during March, put selling pressure on equities yesterday morning, writes James Bush in New York.

At 1pm, the Dow Jones Industrial Average was quoted 15.09 lower at 2,712.61 on low volume of 65m shares. The Dow had closed 15.59 points lower on Thursday at 2,727.70. At one point during the morning session yesterday, the Dow had been quoted more than 22 points lower but then the index steadied and recovered a little of the ground lost.

The trigger for yesterday's selling was another slump in the Treasury bond market, which had already fallen more than a full point on Thursday and was quoted as much as another 1/8 point lower at yesterday's mid-session.

Bonds had been quoted as much as 1/8 point higher before the release of the report from purchasing managers in the Chicago area for March, which showed the index rose to 55.1 per cent in March from 51 per cent in February, giving the highest reading for the index since October 1989. A reading above 50 per cent suggests that the economy is expanding.

The equity market followed bonds lower in selling which was deepened by waves of stock index arbitrage. One factor which traders believed would limit losses yesterday was the fact that it was the last trading day of the quarter, and some expected last-minute buying by portfolio managers wanting to raise the equity content of their funds.

Among featured issues yesterday was Motorola, which slumped 3/8 to \$55 1/2 after news that it has been ordered to stop selling one of its biggest selling chips as part of a ruling in its dispute with Hitachi over patent rights. CBS jumped 1/4

to \$178 1/4 on a US press report that Walt Disney might have a secret plan to take over the company, a rumor which has been around for some months. Walt Disney dropped 3/4 to \$111 1/4.

Another focus of takeover interest was Elger Industries which added 1/4 to \$19 1/4 on a television report that someone had been accumulating a stake in the company and may have more than 5 per cent. Unocal, meanwhile, added 3/4 to \$81 1/4 on renewed talk about a possible offer from British Petroleum. Constar fell 3/4 to \$1 1/4 on the American Stock Exchange, having risen sharply on Thursday. The company said that it is in talks with a large public company about a possible bid in which shareholders outside the Constar family would receive stock worth \$1.50 a share.

New Line Cinema dropped 1/4 to \$10 1/4. Its film "Teenage Mutant Ninja Turtles" opened yesterday. High expectations for the film have nearly doubled the company's stock price since the start of this year.

## CANADA

TORONTO took fright at Tokyo's drop and opened lower in active trading. The composite index fell 23.3 to 3,642 at the start. Canadian stock lost 28 cents or 15.4 per cent, to C\$1.56 before recovering to C\$1.58 on news it would not be included in the end of March on two of its subordinated debentures.

The gold index fell 1.3 per cent, posting the biggest fall among the sub-groups. Most of the other sectors showed little change at the start.

## SOUTH AFRICA

JOHANNESBURG gold prices were mixed to lower as the headline price stood at \$372 1/2. The PSE Gold Index fell 4 to 1,987 while the overall share index added 3 to 3,244. Vaal Reef lost 1/4 to R239 while Southvaal fell 1/4 to R218. De Beers was 7/8 cents higher at R27.50.

## ASIA PACIFIC

## Nikkei plunges on final trading day of financial year

## Tokyo

THE JAPANESE equity markets closed the financial year yesterday with a plunge in late trading, the Nikkei index posting its seventh largest recorded loss, writes Martina Gannon in Tokyo.

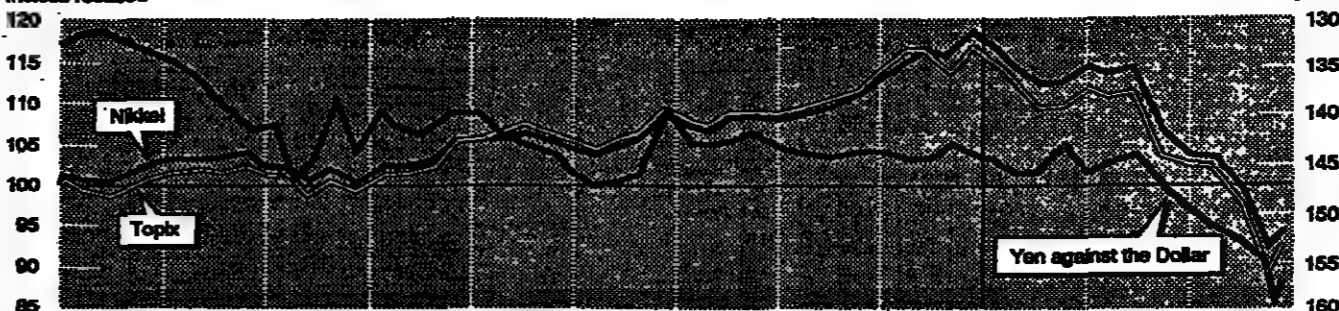
The Nikkei average finished 1,043.71 lower at 22,824.45, its first dip below the 30,000 level since March 22. The day's high was 31,002.07 and the low 29,827.84. Tokai funds, which specialise in institutional investment, led the selling, partly because yesterday was the last trading day of 1989/90.

Disappointment over the yen's failure to sustain Thursday's gains against the dollar worsened the sell-off, which took place mostly in the afternoon in line with the sliding futures market. Volume fell from 665m shares to 500m.

The Nikkei ended 8.7 per cent down on the business year, and 1.3 per cent lower on the week. The Topix index of all listed shares fell 32.37 to 2,227.45. Its fall over the year outpaced the Nikkei's at 9.3 per cent, but it rose 0.9 per cent on the week. In London, the ISE

## Japan

## Indices released



Nikkei 50 index lost 24.61 to 1,634.30 on the day.

Banks and other financial institutions had been expected to buy stock in Tokyo yesterday to boost the year-end valuations of their portfolio holdings. Instead, declining stocks outnumbered rises by 866 to 133, with 93 unchanged; 138 fell to their lowest levels since the beginning of last year.

There was increased two-way arbitrage activity as the futures index plunged. Mr Graham Biggart, of Schroders' futures section, said:

"Throughout the morning, it appeared dealers were trying to prop up the futures market, but by the afternoon they gave up and dumped positions."

Sentiment was also affected by the February job offer data report, which indicated that the labour shortage situation is worsening.

Shipbuilders and real estates were sold heavily in the morning and later, the big steel companies came under strong selling pressure. Among the day's 10 most active issues, Toshiba lost Y70 to Y1,060,

Kawasaki Steel dipped Y36 to Y519 and Sato Kogyo fell Y40 to Y2,300.

Shares dropped in Osaka, with the OSE average of 919.24 at 32,174.50. Volume soared from 65m to 125m shares.

## Roundup

MOST Pacific Basin markets followed Tokyo lower yesterday, with the exception of South Korea and Taiwan.

SEOUL rose sharply on expectations that the Government would announce lower

interest rates and help for the high-technology industry next Wednesday, as part of an economy-boosting package. The composite index firmed 21.26 to 845.84, but was only 0.9 per cent higher over the week.

Speculation that moves to improve relations with North Korea might be about, following Kim Young Sam's return from a visit to Moscow, also lifted share prices.

HONG KONG saw profit-taking following Thursday's crop of corporate results and the index closed 2.54 lower at 2,997.98, just below the important 3,000 barrier and 0.8 per cent up on the week.

AUS\$14.10 fell for the fourth day in a row as the uncertain outlook for the economy and Tokyo's vulnerability kept investors away. The All Ordinaries share index fell 11.2 to 1,535.8, a drop of 2 per cent over the week largely due to the plunge in gold share prices. News of a smaller-than-expected current account deficit in February touched off some buying in the afternoon.

Banking shares continued to attract attention after ANZ confirmed that it was negotiating to buy an interest in National Mutual Royal Bank. ANZ fell 6 cents to A\$5.36.

NEW ZEALAND followed Australia and Tokyo lower in this trading at the end of the financial quarter. The Hangshare index dropped 31.59 to 1,718.40, but was hardly changed from last week.

SINGAPORE and KUALA LUMPUR eased in light trading, unsettled by Tokyo.

Data released but widely spread rumours that three Malaysian stockbrokers would be suspended also unnerved investors.

## Real estate investors search for new locations

CONVENTIONAL routes into property share investment are not, currently, viewed as attractive. Britain has seen a sharp decline in share prices, but with UK interest rates apparently lodged at record levels, highly geared property companies have lost their allure.

In recent months, share prices in UK property companies have remained stagnant at best, while several property developers have had to seek fresh injections of funds from shareholders. Indeed, analysts generally agree that the New York, Tokyo and London commercial real estate markets offer far more scope for growth than the UK market.

Interest rates are a global problem. Their high levels in other European countries have made property shares, even in these markets, a buy only for investors willing to take a medium to long-term view. But the prospect of an increasingly international real estate market, in which investors, tenants and developers operate across borders, should create demand which will show up eventually in share prices.

One reason many investors in this has been the flood of Swedish investors into the European property markets since December 1988, when final controls forbidding foreign property investments by Swedish nationals were lifted.

The supply of top-quality real estate is likely to be restricted in key European centres by the increasing strength of the so-called green lobby, which seeks to limit planning permission for new construction in order to protect environmental damage. A further restriction on supply is the limited availability of space to build upon in the ageing cities of Europe.

The key measure used by property analysts to assess the value of property shares, unlike the price/earnings ratio or yield ratios applied to other stocks, is the level of discount to the net value of assets owned by the investment vehicle. If a company's net asset value is, say, \$10 per share, and the shares trade at \$8, the discount is 20 per cent. Roughly speaking, the greater the discount, the more under-

valued are the shares, and the greater is the potential for capital gains.

But European property markets are not equally attractive. "Although we continue to see a move towards a larger weighting of the property sector on a global basis from an investment point of view, investors should now become more selective," said analysts at Barclays de Zoete Wedd in a recent publication on the property market.

The large sums of money being poured into real estate purchases have driven up property prices and the tendency of rents to stagnate are causes for caution.

Belgian markets are made attractive by the fact that rental levels for Brussels offices are among the lowest in the EC's major cities and that there are good prospects for rent increases. Also, the supply of new property remains modest while demand for rented space is strong due to the presence of the EC's offices in Brussels.

Among publicly quoted share companies, Carnegie has issued a medium-term buy recommendation on Immoel, the largest of its type, and holder of considerable interests in the Brussels office market. The shares are trading at a discount of 26 per cent to net asset value, just slightly below the average level of discount.

Carnegie is also recommending the purchase of shares in EIL, whose investments are almost exclusively located in central Brussels. However, Carnegie warns that liquidity in EIL shares is limited, a drawback for investors.

Carnegie also views the Spanish market as offering potential for investors, while noting that short-term, high interest rates and the financing needs of the companies should be a source of concern to investors. Property analysts elsewhere also warn that the Spanish property market may already be overvalued.

Rents over the past five years have increased 25 per cent on average, while quoted property companies trade at huge discounts of 50 to 60 per cent. However, Mr David Harris, European property analyst at Carnegie, notes that Spanish analysts value properties there after capital gains taxes have been taken into consideration. Thus, shares appear to trade on larger discounts to net asset value than those of other European counterparts.

## Norma Cohen explains why some property vehicles have lost their attraction and reviews European alternatives

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## EUROPE

## Bourses take Tokyo's fall in their stride

THE Continent was unruffled by Tokyo's slump yesterday and investors looked to Monday, the start of the new Japanese financial year, to see if the much-heralded funds from the Far East would arrive, writes Peter Smith in London.

Oil stocks strengthened on threats of an oil strike in Siberia. FRANKFURT closed an encouraging week in contemplation of four bull points:

- the improvement in the bond market, where the Bund's average yield dropped 10 basis points to 8.73 per cent in the last two days;
- the European Commission's forecast that West Germany's economy will grow by between 4.5 and 5.0 per cent in 1990 and 1991, due to the unification of the two Germanys;
- the soothing of fears over monetary union, the effects of which are likely to be spread over a longer period than originally expected;
- the easing of tensions in Lithuania.

After a 3.59 rise to 830.15 in the FAZ index at mid-session yesterday, the DAX accelerated to end 14.65 better at 1,988.55.

Apart from these peaks, the DAX had made a new intraday high of 1,976.48, a little over one percentage point short of the beckoning 2,000 level.

There were more big rises in engineering, where MAN gained 1/2 to DM225.50, and KHD DM113 to DM207.50 and KHD DM113 to DM207.50. German capital goods companies are expected to benefit strongly from the modernisation of East German industry.

BAIAG gained ground in a quiet session, with turnover boosted by the expiry of options in some stocks. The CAC 40 index rose 24.55 to 1,971.75, up 1.8 per cent from the previous Friday, in turn of about 272.50m.

Lyonnaise des Eaux advanced FF22 to FF1947 with 74,950 shares changing hands, after it said it was in talks with Thyssen of West Germany about a water treatment venture in East Germany. Degussa, the water purification unit, gained FF23 to FF1,050.

Results from Accor, the hotel group, and Pernod Ricard, the drinks company, left them FF3 up at FF1,880 and FF1,800 respectively.

lower at FF1,304, respectively. Pernod earlier hit FF1,233. A salesman said the profits were in line with expectations.

Sixant Avionique, the avionics business, jumped FF47 to FF285 in reasonable volume of 13,000 shares. Among all stocks, Total rose FF14 to FF1,665 and Elf Aquitaine gained FF17 to FF1,642.

ZURICH nudged higher in extremely thin trading, the Credit Suisse index rising a mere 1.5 to 581.0, fractionally lower on the week. Forbo, which makes floor and wall coverings, rose above the general indifference as its participation certificates gained SF5 to SF1,075; a plan announced on Wednesday, to convert the p's into bearer and registered shares, indicated a notional price of just under SF700.

MILAN saw demand for banks as the Parliament's lower house approved a sweeping reform of the sector which would merge capital-raising operations and merger Banca Commerciale Italiana added L40 to L4,980 and Mediobanca rose L200 to L18,600.

Mr Carlo de Benedetti's holding company, CIR, continued to climb on expectations that he would regain control of Mondadori, the publisher, from Mr Silvio Berlusconi. Montedison and Enimont were both stronger on persistent talk of Enimont's takeover.

The Comit index rose 0.05 to 683.86, up 1.7 per cent on the week.

AMSTERDAM was unimpressed with publisher Elsevier's better-than-expected 35 per cent increase in 1989 profits and the stock stayed at F181.50. The CBS tendency index edged up 0.1 to 116.4, a rise of 1.4 per cent on the week.

MADRID was discouraged by Tokyo's fall and moved below the 255 support level on the general index in this volume. The index lost 2.64 to 253.86, a fall of 1 per cent on the week, with banks leading the way down. Banco Hispano dropped Ptas6 to Ptas2,500.

OSLO eased as investors looked for profits at the end of the quarter, which has seen the index rise 19 per cent. Norsk Hydro fell NKr3 to NKr201.5 while Saga B free shares added NKr5 to NKr120.

## LONDON SHARE SERVICE

## BRITISH FUNDS

1989/90 High	1989/90 Low	1989/90	1989/90	1989/90	1989/90
100	100	100	100	100	100

## BRITISH FUNDS - Cont'd

1989/90 High	1989/90 Low	1989/90	1989/90	1989/90	1989/90
100	100	100	100	100	100

## AMERICANS - Cont'd

1989/90 High	1989/90 Low	1989/90	1989/90	1989/90	1989/90
100	100	100	100	100	100

## CORPORATION LOANS

1989/90 High	1989/90 Low	1989/90	1989/90	1989/90	1989/90
100	100	100	100	100	100

## COMMONWEALTH &amp; AFRICAN LOANS

1989/90 High	1989/90 Low	1989/90	1989/90	1989/90	1989/90
100	100	100	100	100	100

## LOANS

1989/90 High	1989/90 Low	1989/90	1989/90	1989/90	1989/90
100	100	100	100	100	100

## FOREIGN BONDS &amp; RAILS

1989/90 High	1989/90 Low	1989/90	1989/90	1989/90	1989/90
100	100	100	100	100	100

## AMERICANS

1989/90 High	1989/90 Low	1989/90	1989/90	1989/90	1989/90
100	100	100	100	100	100

## CANADIANS

1989/90 High	1989/90 Low	1989/90	1989/90	1989/90	1989/90
100	100	100	100	100	100

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MARCH 26 1992						WEDNESDAY MARCH 25 1992						DOLLAR INDEX	
	US Dollar Index	Day's Change	Pound Sterling Index	Local Currency Index	Day's Change	Gross Value	US Dollar Index	Day's Change	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	(a)	
Europe (in parentheses show number of stocks)														
Australia (93)	135.97	-0.2	128.45	120.28	-0.9	5.75	136.22	123.60	121.38	121.38	160.41	128.28		
Austria (18)	278.85	+3.5	251.36	244.25	+2.8	1.09	287.41	243.23	237.84	285.93	82.54			
Belgium (81)	147.48	+0.4	133.88	127.84	-0.2	4.38	146.57	133.89	127.85	180.02	125.59			
Canada (120)	141.17	-0.2	128.16	120.01	-0.3	3.37	141.40	128.16	120.41	154.17	124.87			
Denmark (36)	203.26	+0.3	234.47	234.47	+0.1	1.82	234.47	234.47	234.47	234.47	234.47	234.47		
Finland (28)	138.54	-1.0	125.78	116.68	-1.4	2.27	139.89	127.24	118.54	159.16	118.83			
France (125)	122.11	+0.8	138.10	138.10	+0.4	2.80	139.84	137.20	135.82	157.97	115.05			
West Germany (96)	136.22	+2.4	128.67	120.21	-1.7	1.77	133.04	128.67	118.16	171.01	82.57			
Hong Kong (48)	123.39	-0.2	112.02	123.77	+0.1	1.82	123.18	112.02	123.60	140.33	82.41			
Ireland (17)	138.81	+1.0	171.42	168.76	+0.3	2.49	187.02	170.11	168.28	188.57	125.00			
Italy (98)	94.48	+0.9	87.55	90.04	+0.5	2.69	94.60	88.96	88.92	102.11	74.97			
Japan (45)	140.13	+0.5	127.23	135.67	+0.1	0.62	139.40	128.79	139.20	200.11	137.43			
Malaysia (39)	228.51	-0.2	215.82	215.82	-0.2	2.20	220.51	208.68	242.16	245.32	145.55			
Mexico (13)	395.29	+0.3	348.75	118.45	+0.2	0.44	384.11	348.38	118.72	408.41	155.32			
Netherlands (43)	138.72	+0.8	128.85	121.87	+0.2	4.39	138.86	128.12	121.84	145.68	115.78			
New Zealand (17)	61.85	+0.1	55.07	55.07	-0.2	1.50	55.07	55.07	55.07	55.07	55.07	55.07		
Norway (24)	237.59	-0.2	215.71	215.71	-0.7	1.99	238.08	215.55	213.36	245.80	172.95			
Singapore (26)	195.09	-0.4	177.12	189.51	-0.3	1.73	195.80	178.10	170.09	199.98	148.15			
South Africa (60)	195.10	-0.7	178.04	188.10	+0.1	3.49	187.39	178.54	168.58	251.59	115.86			
Spain (43)	138.59	+0.1	125.56	119.83	-0.4	4.49	138.52	125.72	114.54	199.75	138.01			
Sweden (35)	177.42	+0.3	161.08	161.14	-0.1	2.49	178.85	160.86	161.27	206.95	135.45			
Switzerland (82)	90.78	+1.8	82.43	84.54	+1.1	2.29	89.14	81.08	83.95	99.12	87.91			
United Kingdom (306)	149.75	-0.2	135.88	135.88	-0.3	1.50	135.88	135.88	135.88	135.88	135.88	135.88		
USA (940)	137.77	-0.1	125.08	137.77	-0.1	3.48	137.99	125.48	137.93	146.29	112.13			
Europe (889)														
Australia (121)	139.84	+0.7	128.06	124.82	+0.3	3.52	138.84	128.28	124.44	146.06	112.67			
Canada (121)	139.84	+0.2	128.06	124.82	-0.3	1.82	138.87	127.24	124.82	201.89	137.95			
Europe (889)	139.84	+0.5	125.88	127.32	-0.8	0.91	138.70	126.16	136.41	194.72	135.29			
North America (1554)	139.81	+0.8	127.02	129.67	-0.1	1.98	138.11	128.63	136.23	174.18	135.46			
South America (690)	137.88	-0.1	125.18	136.83	-0.1	3.47	138.04	125.58	136.83	146.86	135.46			
Europe Ex. UK (619)	132.10	+1.3	119.92	117.89	-0.1	1.82	132.10	119.92	117.89	146.86	135.46			
Europe Ex. US (1847)	140.83	+0.5	127.88	133.13	-0.3	2.04	138.69	127.88	133.13	171.84	135.46			
World Ex. UK (2081)	137.45	+0.4	124.79	134.49	-0.2	2.29	136.95	124.67	134.75	182.00	134.02			
World Ex. So. Af. (2327)	138.18	+0.3	125.48	129.43	-0.3	2.63	137.75	125.29	134.65	161.94	134.71			
World Ex. Japan (1932)	138.11	+0.2	126.50	132.51	+0.0	3.55	138.04	126.50	132.51	146.82	114.61			
World Index (2387)	138.53	+0.3	125.77	134.63	-0.3	2.54	138.11	125.92	134.88	182.05	135.13			

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## MINES—Contd.

1989/90	Low	Stock	Price	+ or -	Mr. Nat	Ch	Yr
High							
247	6	Anglo Mining Sp. v	145				
166	1000	Warrants	70				
521	12	Anglo-Canadian	171				
708	38	Good Intl. Gold	540	-19			
34							

277	13	Emex Int. In 10p	15	1/2		
120	66	Europa Minerals 2p	75		W.L.O	2.1
98	64	Secor	64			
95	27	Greenwich Res.	27			
123	54	Hemlo Gold Mines	57	1	5020c	1.1

281	141	141			
457	256	377	+12		
393	410	14	-2		
93	75	76			
465	404	532	-1	18.9	9 4.4
15	46	19			
250	153	195	+2	7.8	2.7 b.

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unless otherwise indicated, prices and net dividends are in penny and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where

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# FINANCIAL TIMES

Weekend March 31/April 1 1990

**Royal Brierley**  
THE FINEST ENGLISH FULL LEAD CRYSTAL

## Appeal Court blocks Palumbo's City plan

By David Lascelles

MR Peter Palumbo's plan to redevelop the City of London's site at Fenchurch, near the Mansion House, suffered a significant setback yesterday when the Court of Appeal overturned government approval for the scheme.

The decision, which affects one of the most controversial sites in the capital, caused jubilation in conservationist circles. But it represents a serious embarrassment for the Government which gave the go-ahead in the face of widespread opposition, including that of Prince Charles.

The Department of the Environment said that it was examining the transcript of the ruling and would be taking legal advice on possible courses of action, including appealing to the House of Lords.

Mr Ridley's decision to allow

demolition of the Victorian site of eight buildings had already been allowed by the High Court.

The judges stressed that they were not ruling on the merits of the redevelopment plan by Mr Palumbo, who is a private developer. Mr Ridley, they said, had failed to give adequate reasons for overruling the Government's own policy of conserving listed buildings where possible. His reasoning "does not deal with substantial issues."

They made their decision "with the greatest regret" because of the further delays this would cause to a plan which is already nine years old.

However, they gave Mr Chris Patten, Mr Ridley's successor, the option of reconsidering his decision. They said he could do this quite quickly by drawing more fully on the inspector's report which recommended approval in the first place.

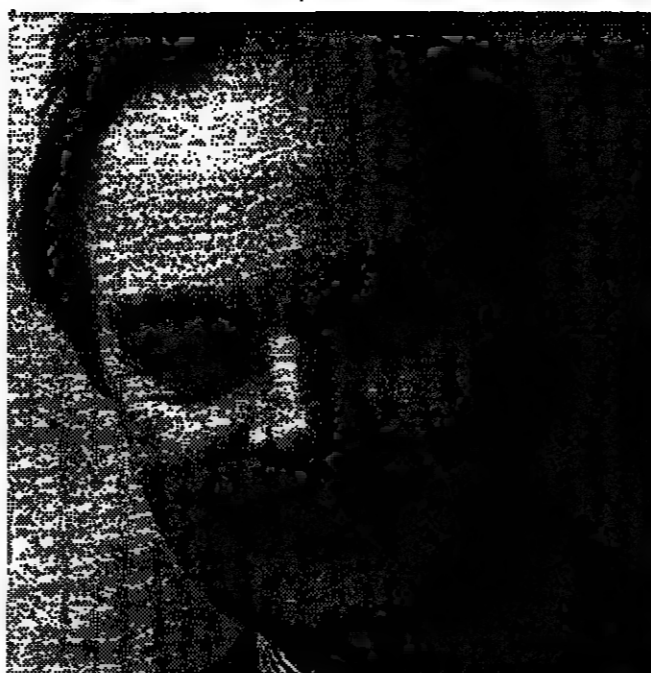
Mr Marcus Binney, the president of Save Britain's Heritage, said he was delighted by the

ruling. "We remain as convinced as ever that the buildings on this site are an important part of the City's architectural heritage," he said. He hoped Mr Patten would look more closely at the conservation group's alternative proposals for refurbishing the existing buildings, street layouts, shops, restaurants and a pub.

The judgment is extremely awkward for Mr Patten because conservationist pressures have, if anything, become even stronger since Mr Ridley grappled with the issues raised by this prominent site last year.

Prince Charles said the redevelopment designs by Mr James Stirling looked like a 1930s' wireless. The City of London had rejected earlier redevelopment plans, which a long inquiry five years ago, and opposed subsequent plans.

The main support came from the government inspector who reported last year that the proposed plans were "a worthy modern addition" to the City.



Peter Palumbo: court not ruling on merits of his plan

## Soviet Union delays payment on contract

By William Dawkins in Paris

FRESH EVIDENCE of a decline in the international creditworthiness of the Soviet Union surfaced yesterday with the disclosure that France has agreed to the delay for five years of a FF1,200m (\$320m) payment on a FF1,200m contract for construction of an oil and gas refinery on the Caspian Sea.

Confirmation of the impending deal yesterday by Lurgi France, the West German-owned contractor to the project, marks the first public admission by a leading Western company that it has agreed to restructure payments to a large Soviet state-guaranteed export project.

The deal is certain to fuel mounting concern among businessmen about arrears accumulated by the Soviet Union on its import payments.

The delays, which began late last year, are a decisive break with the Soviet Union's hitherto impeccable record for punctual settlement of debt.

French officials stressed that their offer to accept delay in Lurgi payments was exceptional and would not be repeated.

The concession was made in return for a promise by Moscow to stick to its obligation to repay on time another FF1,200m of other debt.

The accord, due to be final-

ised in the next few days, covers FF1,200m owed to Lurgi France for the final part of the refinery being built at Turguigol on the north-eastern shore of the Caspian Sea.

In May 1988, when the contract was signed, it was the biggest Soviet deal with a French-based company.

Details of it emerged on the return from Moscow of a delegation of senior French officials and businessmen led by Mr Pierre Bérégovoy, the Finance Minister.

Analysts believe the delay of up to four months on the Lurgi debt reflects administrative chaos caused by reorganisation of the Soviet trade and financial bureaucracy rather than any lasting shortage of foreign currency. However, they have already pushed up short-term borrowing abroad.

Although the French portion of the Lurgi contract is guaranteed by Colfax, there is also an unguaranteed component, worth DM117m (\$22m), to be paid in West German currency, according to a spokesman for Lurgi, the fully-owned subsidiary of West Germany's Metallgesellschaft group.

Lurgi has so far received FF1,200m, of which FF1,200m arrived late earlier this month.

Emergency oil strike measures, Page 2

## Moscow braced for Lithuanian resistance to army recruitment

By Mark Nicholson in Moscow and Lionel Barber in Washington

SENIOR Soviet military leaders are expecting widespread resistance in Lithuania to the Red Army's spring conscription draft, which takes place tomorrow. There are fears in Moscow of massive refusals not only by Lithuanians but also by conscripts in Georgia and the Transcaucasus.

General Grigory Yevseyev, the Soviet Deputy Chief of General Staff, said yesterday that it had proved impossible even to set up conscription commissions in some parts of Lithuania as a result of "violation of the USSR constitution" in the Baltic republic.

At the same time, the White House said President George Bush had made a direct appeal to Soviet President Mikhail Gorbachev to reach a peaceful resolution of the crisis in Lithuania. Mr Bush sent a letter to the Soviet leader on Thursday, the first time the US President has made direct contact with Mr Gorbachev since tensions escalated on March 11 with the Baltic republic's declaration of independence.

Mr Bush had restated his view that the conflict could be resolved through peaceful dialogue and "clearly stated his support and American support for the aspirations of the Lithuanian people for self-determination."

Yesterday, Moscow increased pressure on Lithuania to adhere to Soviet law, which is no longer recognised in the



President Bush "solution lies in peaceful dialogue"

republic. The Soviet deputy prosecutor general, Mr Alexei Vasilev, was sent to "assist" Lithuania's own chief law enforcement officer for "gross violation" of central law.

At the same time, the KGB issued a statement from its officers, responsible for security and border controls, would continue to uphold Soviet laws. Attempts to block the KGB's work would be considered "unlawful and dealt with accordingly."

Lithuanian officials said yesterday that Mr Vasilev was politely received by Mr Arturas Paulauskas, the republic's pro-

secutor general, but that he was not considered to have any legal authority in the republic. Lithuania's response to tomorrow's military sign-up, one of two annual conscriptions which each draw in nationwide about 200,000 recruits to the 3.8m-strong Red Army, looks set to raise tensions still further between Moscow and the Baltic states.

Mass resistance to the call-up is also likely in several other republics, notably Georgia, Azerbaijan and Armenia, pointing up a growing crisis for the army posed by both a general fall in morale and a rise in nationalist resistance to military service.

Anti-Red Army sentiment is particularly strong in the Transcaucasus, where nationalist violence again flared yesterday. At least one man was killed during a gun battle between Azerbaidjani and Armenian groups in Nakhichevan, an Azerbaidjani enclave bordered by Armenia and Iran.

Tass said 300 more troops have been sent to the area following renewed fighting. Estonian leaders continued yesterday to debate the form in which the Baltic state will assert its own statehood. Deputies are likely to vote in the next few days on a resolution declaring Estonia to be an "occupied state" and adopt independence only after a transitional period, the length of which remains under discussion.

## THE LEX COLUMN

### Beware of the yield ratio

As the UK results season draws to a close, the market is brought back to brooding on the fundamentals. The results themselves could have been worse, even if there were more nasty surprises than nice ones.

But the impression is rather undercut by the Government statistics for corporate profitability in the fourth quarter, published earlier this month. These show non-oil trading profits in the UK, which were up 16.6 per cent in the first quarter, down by 6.6 per cent in the fourth.

Even including overseas profits, fourth quarter profits were up only 1.6 per cent. The figure is struck before interest charges; and as the Bank of England likes to remind us, the corporate sector's record-breaking run of financial deficits is still going on nicely.

The other side of the coin consists of gilt yields, still at close to 12 per cent at the long end, in concentrating on the stream of profit figures, the market seems not to have noticed that the yield ratio - gilt yields divided by equity yields - has been climbing steeply for the past five months and is now close to 2.5 times. Though well short of the ludicrous 3.3 times reached just before the 1987 crash, this is the highest level since then.

This has, of course, been caused not by the strength of equities but by the weakness of gilts. With the market still nervous about sterling and unsure about Government funding policy, there are domestic reasons for supposing gilts will remain weak, to say nothing of the international pressures on interest rates.

This is not to say that equities are dangerously overvalued; but if the FT-SE is to rise much from here in the next month or two, it will be a bit of a struggle.

#### Sketchley/Compass

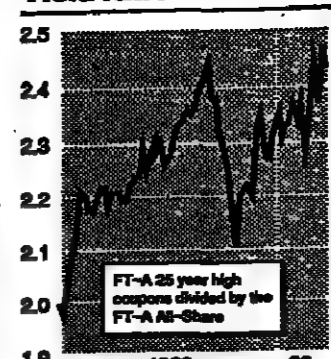
The defence document from Sketchley, due today, now seems unlikely to reveal details of the proposed management buy-out which the company hopes will see off the Compass bid.

New tactics are certainly needed, since the dismal profits which deterred Godfrey Davis have only served to highlight the upside for the Compass management. Sketchley is in a mess; now that Mr Glem has departed, the only argument is about who can best sort it out.

Compass shareholders may wish their management had not been so keen to take on the

FT Index fell 12.5 to 1,768.7

Yield ratio



Job. The direct links with Compass's existing businesses of contract catering, hospital management and security guarding are fairly tenuous.

Sketchley does have a small catering business, but Compass's main interest is in its dry cleaning and workwear rental. The market's doubts about supposed synergies are reflected in the 11.5 per cent fall in Compass's share price since the bid was launched.

However, investors in Sketchley can at least judge Compass's record, which has been impressive. Over the last five years, pre-tax profits have more than quadrupled. The company bought out Grand Met for £168m in 1987, was capitalised at just under £250m before the bid was launched.

A new management team would need equity-tilting incentives, and might not be able to demonstrate the same kind of record. And whatever the risk that Compass might not get a full price for the sale of Sketchley's vending and computer peripherals businesses, there is no guarantee that a new team might not want to make the same disposals.

The Compass bid at least offers a stake in the existing business, plus an interest in its cash-rich catering and expanding hotel operations. Sketchley has yet to offer anything so coherent.

#### Coloroll

The news that Coloroll cannot afford to pay its £1.1m preference dividend puts it in a small and unhappy category with fellow-sufferers like Farmland. Since January, when the group's financial crisis first became public, it has been suspected that there might be no final dividend for ordinary shareholders. But confirmation of the fact will surely hit the shares hard on Monday, when

the market has its first chance to react to the news.

It will not be clear for at least another month whether distributable reserves have been wholly wiped out, or whether Coloroll's bankers are simply being bloody-minded. But the market value of the equity already reduced to under £50m - must now be very dubious.

In recent weeks, trading in the shares has been largely confined to small deals by the more adventurous kind of speculator. The institutions must resign themselves to the likelihood that a financial reconstruction will involve the banks taking such equity value as remains in exchange for their debt, leaving little or nothing for anyone else.

#### News Corp

The fact that Mr Rupert Murdoch can get \$400m (£242.75m) for The Star, a women's magazine sold at US supermarket check-outs, is a relief for News Corp's balance sheet in more ways than one. Given its debt burden of \$47.7bn (£3,560m) at the end of 1989, meaning interest costs of maybe \$493m or so this year, the \$200m it is getting in hard cash for The Star looks very welcome.

Just as interesting, though, is the evidence of the extent to which stock market valuations of media assets like newspapers and magazines can still fall short of what a single private buyer will pay. To that extent, a high price for The Star makes News Corp's TV Guide, say, seem very valuable indeed.

In the case of The Star, with a 3.5m circulation, yesterday's brief announcement of its sale to Mr Peter Callaghan's GP Group said nothing about its cash flow. But on the face of it the price seems to compare well with the \$412.5m Mr Callaghan paid last April for GP, whose clutch of magazines include the king of the US check-out magazine market, National Enquirer, with a circulation of 4.3m. Mr Callaghan paid at least 20 times historic operating profits for GP. It looks as though The Star is going on no less a multiple.

This compares with the average multiple of 16 or 17 times current after-tax earnings on which Wall Street at the moment rates newspaper stocks like Gannett and Knight-Ridder.

The disparity makes sense, insofar as buying The Star gives GP the added advantage of a semi-monopoly in the check-out lanes.

#### CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (DM)		
Gerrhheimer	335	+ 57
Holzmann (P)	1510	+ 115
Mannmann	407.5	+ 18
Pelle		
Leifelt	660	- 9
Metalgesellschaft	680	- 10
NEW YORK (\$)		
CBS	178.1	+ 1 1/2
Eljor Inds.	19 1/2	+ 1 1/2
Unocal	91 1/4	+ 1 1/2
Pelle		
Constar	1 1/4	- 1/8
Motorola	85 1/2	- 1/2
New Line Cinema	10 1/2	- 1/2
PASS (PFS)		
Wessex		
Sensaire	558	+ 18

New York prices as at 12.00pm.

LONDON (Pence)		
Amstrad	73	+ 4
Bass	940	+ 9
Brit. Steel	145	+ 4 1/2
Land Sec.	486	+ 8
LASMO	1282	+ 8
MEPC	487	+ 9
Pearson	895	+ 4
Reed Int.	418	+ 9
Sam Life	1285	+ 17
Sutor	143	+ 7
Telfee	188	+ 17
Pelle		
STI	425	- 6 1/2
Carlson Comm.	84	- 11
Grand Met.	585	- 11
Hewlett Packard	612	- 11
ICI	1082	- 10
Redland	551	- 10
STC	264	- 7
Trafalgar Hse.	331	- 6

#### WORLDWIDE WEATHER

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Algeria	14	10	10	London	10	10	10
Amman	14	10	10	Madrid	10	10	10
Amman	14	10	10	Manila	10	10	10
Amman	14	10	10	Medan	10	10	10
Amman	14	10	10	Osaka	10	10	10
Amman	14	10	10	Paris	10	10	10
Amman	14	10	10	Seoul	10	10	10
Amman	14	10	10	Singapore	10	10	10
Amman	14	10	10	Tokyo	10	10	10
Amman	14	10	10	Yokohama	10	10	10

C - Cloudy, Dr - Drizzle, F - Fog, H - High, N - Mist, S - Snow, T - Thunder, T - Thunder, T - Thunder

## Kohl and Thatcher Continued from Page 1

troops in East Germany, which would be a matter for negotiation between a unified Germany and the four Second World War allies - the US, the Soviet Union, Britain and France.

The Chancellor did not com-

firm a statement by Mrs Thatcher that they had agreed that nuclear weapons would have to remain on European soil after unification and that the Soviet Union was the obvious location.

However, Mr Kohl clearly

indicated that short-range missiles based in Germany, such as the Lance, had a much reduced role to play in the light of political changes in Eastern Europe. Until recently, Mrs Thatcher had wanted to see the Lance modernised.

## Public spending Continued from Page 1

the Treasury has revised upwards its inflation forecast by about 1.5 percentage points, implying an increase in public spending of about £2bn just to maintain the real level of spending.

Although the Treasury will argue that there should be no automatic accommodation of higher prices, ministers concede that it will be impossible to avoid higher salary bills for public sector workers such as teachers and NHS workers.

The huge social security budget will also have to be increased by £1bn or more to take account of the need to uprate benefits in line with inflation.

Initial estimates suggest that unless Mr Chris Patten, the Environment Secretary, wins an extra £2bn from the Tre-

sury, local authorities would be forced to put up poll tax bills by around 30 per cent in April 1991. That, according to ministers, would be politically impossible.

Taken together, the two factors more than wipe out the £6bn contingency reserve set aside for 1991/92, which has anyway been reduced by nearly £1bn by existing commitments.

The Government's problems are exacerbated by the profile of individual departmental spending allocations agreed by ministers in last year's spending round. Mr Kenneth Clarke, the Health Secretary, and Mr John MacGregor, the Education Secretary, are among a number of ministers who secured a large increase in resources for 1990/91, but much

smaller additions for the following year.

Unless they win extra funds, the Government's general election campaign will coincide with an intense squeeze on resources for the health and education services.

The Treasury will seek to offset some of the additional costs by securing cutbacks in the budgets of the defence and transport departments. Officials also believe that its forecasts of tax revenues - particularly corporate receipts - may prove to be unduly pessimistic.

Ministers, however, acknowledge that on present trends the annual budget surpluses of the past few years may be eliminated by the time of the election.

## Fears over Iraq Continued from Page 1

Development Group, a London company which the Foreign Office last year believed might be planning to export missile technology from Northern Ireland to Iraq.

This week's alleged attempt to smuggle nuclear triggers to Iraq was foiled by an 18-month operation by US and UK customs and intelligence agents. Five people, including the manager of Iraqi Airways in London, have been arrested.

Eurochem, officials believe, was part of a much wider network established in largely autonomous groupings. Some companies were funded using \$30m (£18m) in unauthorised

credits from Italy's Banca Nazionale del Lavoro (BNL). Searches at Companies House revealed no corporate link between Eurochem and the wider Iraqi arms procurement network, but one Whitehall official close to the affair claimed that a link, although indirect, existed.

The official also confirmed that there are indications that the assassination in Brussels last week of Mr Gerald Bull, the Canadian ballistics scientist who founded Space Research Corporation, was connected with Iraq's military procurement efforts. The damaged Osirac reactor

- which is still out of action - is inspected regularly by the International Atomic Energy Agency. The IAEA also inspects the safeguarding of 36 pounds of highly enriched uranium that was supplied, as was the reactor, by French companies.

An official at the French embassy in Washington yesterday confirmed that the Osirac facility and the uranium are still under safeguards and said no French technicians had been near the facility. But other Western officials say the real cause for concern is that Iraq might be at work on other "undeclared facilities."

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# Weekend FT

SECTION II

Weekend March 31/April 1, 1990

## Why the church is losing its market

**S**TIRRING HYMNS, such as *Proclaim His Name*, are still sung in the thousands of churches which grace Britain's landscape. In almost every town and village a spire or tower of some description still stretches heavenwards. But the congregations are steadily depleted.

In my local church of St Mary's, Harrow-on-the-Hill, London, in spite of the efforts of a likeable and energetic vicar, the Sunday evening service is usually attended by only about 20 to 30 people. The church, which dates from the 18th century and is the highest building for miles around, rarely feels full. The affluent local population turns out in force at Christmas and Easter, but stays at home the rest of the year.

All the statistical measures suggest that the church is losing its market. The relentless decline of the Church of England is one of the clearest social trends of the past century. The proportion of infants baptised by Anglican ministers has more than halved since 1900, as have the numbers on the church's electoral roll. Confirmations have declined by 70 per cent since 1910. Just 4 per cent of adults now take communion at Easter; the proportion has fallen below 2 per cent on an average Sunday.

If anything, the decline has speeded up in recent decades. Easter communicant rates fell much more sharply between 1980 and 1987 than in the previous 30 years. Sunday attendances have fallen nearly 30 per cent since 1970. As congregations melt away, inner city churches are being converted into apartments and Victorian rectories into country homes for yuppies. Vicars, once prosperous members of local communities, are impoverished and often housed in cramped and ugly modern accommodation.

The Church of England is not retreating in isolation. According to the *UK Christian Handbook*, the Baptists have lost nearly 20 per cent of their membership since 1970; the Methodists and Presbyterians have been hit even harder, losing around 25 per cent of their flocks. Earlier this century, the Roman Catholic Church appeared more resistant to secular forces than the Protestant denominations. But it too is now firmly in decline: membership has fallen by nearly a quarter in the past few decades and is expected to fall further.

Yet the decline of traditional faiths paints a misleading picture of the nation's overall religious life. In the post-war years, an exotic profusion of alternative religions has taken root. Figures in the *Handbook* suggest that just after every form of religion but mainstream Christianity and Judaism is flourishing. The absolute numbers of active Hindus, Sikhs and Muslims are still small at 150,000, 200,000 and 900,000 respectively. But membership of these faiths appears to have risen rapidly since 1970.

According to the *Handbook*, the number of active Buddhists has risen from an estimated 6,000 in 1970 to 25,000 in 1987. The Church of Scientology claims a membership of 50,000 — a tenfold increase in the past two decades. The Hare Krishna

movement, the Mormons and the Jehovah Witnesses also appear to have expanded rapidly. The Unitarian Church (Moules) has levelled off after rapid growth in the 1970s.

Eileen Barker, a sociologist at the London School of Economics and author of *New Religious Movements* (HMSO £11.95), warns that these statistics are unreliable. She says many sects lie about their membership. Turnover tends to be extremely rapid and people who long ago lost interest in a particular faith stay in the statistics as current members. Nevertheless, the sheer number and variety of new movements suggest many people, while dissatisfied with mainstream Christianity, are actively seeking supernatural "enlightenment" of some kind.

At first sight the simultaneous decline of traditional faiths and rise of new (or unorthodox) religious movements may appear paradoxical.

**T**he erosion of the Church of England seems strongly to confirm the "secularisation" thesis advanced by social scientists in the 1960s and 1970s. In essence the argument was that faith in supernatural authority was doomed to decline because it was irreconcilable with the suppositions that underlie the everyday activities of modern man. At home, at school and in the office, people rely predominantly on scientific, economic and psychological explanations. On a Sunday morning it is not easy to drop this baggage and adopt a religious view of the world.

Yet the vitality of non-traditional faiths suggests many still find religious explanations appealing. In *Competing Conceptions* (SCM £7.95), Professor Robin Gill of the University of Newcastle-upon-Tyne argues that the secularisation thesis was always an over-simplified theory. It is just not true that as societies grow technologically more advanced they necessarily become more irreligious. And you don't need to appeal to the Islamic Revolution or the rise of Christian fundamentalism in the West (neither of which were predicted by sociologists) to demonstrate this point.

Between the 1960s and the late 1980s — a period of extraordinary

scientific advance — US church membership rose from 20 per cent to nearly 60 per cent of the population. It has since declined, but the level of religious commitment remains extraordinarily high. In a Gallup survey in the early 1980s, 44 per cent of Americans said they believed "God created man pretty much in his present form at one time within the last 10,000 years."

Far from being modern, the notion that religion is about to disappear is actually rather dated. Michael Carrithers, an anthropologist at the University of Durham and author of *The Buddha* (Oxford Past Masters), points out that it first surfaced 150 years ago. He suggests the force of Victorian scepticism may now be waning. "There is a lack of fit between what people think is the case and what is actually happening," he says.

The aggregate figures on church attendance, he argues, conceal "a very great religious ferment in this country." He believes that religion, broadly conceived, still occupies an important place in many people's lives. It is the one subject, he points out, which is guaranteed to fire the enthusiasm of his students.

Peter Clarke, a sociologist at King's College, London, takes a broadly similar view. There is no sign whatever, he says, that the new religious movements are getting less popular. Indeed rather the contrary: he expects a host of millenarian movements (some joyful, some dark and foreboding) to be launched in the 1990s. The end of "religious man" is not in sight, he says, even if some religious systems are in trouble. "The demand for religion is intrinsic and will continue."

But if this is so, why continue the steady decline of organised religion? The answer is complex: it seems related both to the nature of belief that is acceptable in the late 20th century and to the type of activities which accompany religious commitment in modern times.

Take Buddhism as an example. Numbers are notoriously hard to pin down because people don't have to "sign up" in any formal sense. But the rapid growth in the number of active groups confirms Carrithers' view that "remarkable things" are happening in this religion in the



In the week that the Archbishop of Canterbury, Dr. Robert Runcie, announced his retirement, Michael Prowse argues that the long-term decline of the church is not irreversible

UK. It seems to be filling a spiritual void in an increasing number of households.

This could reflect the fact that the teachings of the Buddha are in some respects easier for modern man to accept than those of traditional Christianity. The faith is non-theistic: you are not asked to believe in a supernatural deity of any kind. It is also relatively tolerant: asking Buddhists don't have to renounce other religions. Stephen Hough, a teacher at The Buddhist Society in London, says people of all faiths come to his classes. "Buddhism willingly concedes that there are many ways to truth or enlightenment," he says. It is also non-authoritarian.

Indeed, in some respects Buddhism anticipated the thinking of British empiricist philosophers. Hough points out that the Buddha said words to this effect: "Don't practice or believe something because I say so, the only touchstone must be your own experience. This is the only ground for measuring truth."

At the risk of grave over-simplification, the essence of Buddhist teaching is as follows. Suffering is endemic to human life, not just in the sense that we all experience pain, ageing and death, but because many of our wants will always remain unsatisfied. The cause of suffering is insatiable craving for pleasures of various sorts and a refusal to accept that everything in

this world is subject to change.

The cure for suffering is a detachment from worldly pleasures brought about by a balanced programme of moral self-discipline and meditation — which helps you see the world as it really is. This eventually leads, in Carrithers's words, to Nirvana, or the "blowing out of the passions and frustrations of existence."

Although each of the world's great religions has its strong points, many regard the simultaneous existence of Christianity, Islam, Judaism, Buddhism, Hinduism, and so forth as *prima facie* evidence that religious interpretations of experience are wrong. After all, the great faiths make contradictory claims:

Christians say Jesus Christ is the Son of God; Jews and Muslims regard him as an ordinary man. In other parts of the world Jesus has no significance at all.

The problem of religious plurality is honestly confronted in *An Interpretation of Religion* (Macmillan £12.95), a new book by John Hick, a leading US philosopher of religion. Professor Hick argues that a generic concept of salvation or liberation lies at the heart of all the main traditions. In every case, the starting assumption is that ordinary human life is "defective, unsatisfactory, lacking." The claim is that a "limitlessly better quality of existence" can be achieved through a transcending of the ego and its "self-centred desires and cravings."

In Western theistic faiths, self-centredness is overcome by accepting the supremacy of a deity. In Eastern monist religions, the ego is overcome through a merging of self with some form of transpersonal Absolute. But in all cases, asserts Hick, a similar kind of transformation of the individual occurs: there is a downgrading of personal desires and a shift from selfish egotism to self-renouncing love of others.

But why is a telephone directory of different gods and absolutes necessary to achieve this? In answering, Hick appeals to Kant's distinction between the noumenal (that which is beyond human experience) and the phenomenal (all of empirical reality). All religious activity, he believes, is directed at a single non-moral reality, something he calls the Real. However, we can have direct experience only of the phenomenal world. The various gods and absolutes thrown up by different societies at different times are merely different human representations of this transcendent reality.

There are bound to be many different religions because people's experiences and presuppositions at different times are radically different. In other words the nature of our religious beliefs is inevitably influenced by our subjective viewpoint. Many of the statements made by the various faiths are thus not literally true, but this does not matter. They are *mythologically* true in that they evoke appropriate dispositional attitudes in us: they make us more caring, less self-centred and so forth.

Like Freud, then, Hick regards the God of Israel, the Holy Trinity, Shiva, Allah, Vishnu, Brahman, Nirvana, Sunyata and so forth as in some sense projections of ideal human qualities. The difference is that he does believe there is an ultimate objective reality behind them. Our gods and absolutes are not pure inventions: they are the divine personae and the metaphysical *impersonae* of the Real. They are different but equally valid routes to human salvation.

In arguing this, Hick is taking a considerably more traditionalist line than that favoured by some Christian theologians. Bible-bashing fundamentalists may be infuriated by the Bishop of Durham's liberal interpretation of scripture, but his public utterances are conservative

Continued On Page VIII

### The Long View

## Virtues that bring no rewards

**IT IS SOMETHING** of a mystery that such respectable and dignified gentlemen as bankers should develop a habit of getting into terrible scrapes. During the recent results season, two of the Big Four UK clearing banks reported overall losses and the aggregate increase in developing country provisions for the four was £4.3bn. That was over and above normal bad debt provisions of a mere £1.3bn.

The story is even worse in the US where the nearly-500 institutions which comprise the once safe-as-houses savings and loan industry recorded total losses of \$19.2bn for 1989. There could be \$200bn of further losses in the pipeline before the industry can eventually be restored to health.

It would, perhaps, be understandable if lending institutions should get into trouble in difficult economic conditions. Plenty of banks went bust in the 1930s. But the economic circumstances of the second half of the 1980s have, generally, been favourable. The banks have brought a lot of their problems upon themselves.

They created the corporate financial disasters of Australia, for instance. De-regulation there increased greatly the numbers of international bankers looking for business. But traditional borrowers such as mining companies actually reduced their indebtedness during the 1980s. As a result, the foot-loose funds were directed towards imprudent

entrepreneurs keen to build global empires. The simple conclusion is that the risks have increased, as banking but the lending practitioners have scarcely woken up to the fact.

On the liability side of the balance sheet, there appears to be almost no limit to the volume of resources that can be gathered by banks. During the 1980s, broad money in the UK (as measured on the M4 definition) increased from £97bn to £242bn.

Capital ratios must be observed, but depositors are little concerned with risk: political pressure now means that there is almost no chance that a major bank will be permitted to go bust in a leading Western country, at least to the extent of imposing losses on its depositors. If runs on banks occur, as with Continental Illinois in the US, then the regulators will step in and organise a rescue.

Thus, a bank which engages only in extremely prudent lending will not find that its cost of funds is any lower than for its reckless rivals. However, although resources may be abundant, bankable propositions certainly are not.

The theory has been that de-regulation of the credit markets would lead to more rapid and efficient economic development than in earlier, more strait-jacketed decades. There has indeed been an increase in the rate of economic change. But money has also cascaded in the direction



Barry Riley  
You can re-arrange the risks in the banking system but, if you are not very careful, you will increase them in the process

of asset-based markets (especially property) where, through the bidding-up of prices, there can be the temporary illusion that the flood of new lending is creating its own extra security. In the US, regional real estate collapses — for instance in Texas and now in other centres such as New England — have plagued the banking industry for years. Now the focus is coming on to UK property and, especially, London

assets. Bank loans outstanding to property companies in Britain have quadrupled to more than £20bn in the past four years. But long-term investment institutions like the pension funds have been holding off, or even selling, in anticipation of a slump in the market which will present better buying opportunities after a year or two.

The implication is that the banks will have to suffer most of the consequences of the shake-out. From a domestic point of view, the only consolation — compared with the last property crash in the mid-1970s — is that much of the burden will be shouldered by foreign banks, which are responsible for some 40 per cent of commercial property lending.

It is not only in property that burgeoning short-term credit markets have tended to displace long-term asset structures. In America, bank credit went hand-in-hand with junk bonds to replace equity through buy-outs and buy-backs, so that the supply of US common stocks shrank by \$60bn, making a total contraction of \$470bn in six years. The trend can now be expected to reverse in the wake of the junk bond crisis, but the risk levels in the US corporate sector have risen worryingly.

In the UK, the dependence on short-term financing has permeated the whole economy in a fundamental way. Credit-financed demand has boosted economic growth and pushed the Government into an un-

tended fiscal surplus, which will now be unravelled largely through a surge in public spending. In the meantime, the surplus has been used to buy back gilts instead of squeezing the money markets. As for the corporate sector, an important part of the record, £34bn borrowed from banks by industrial and commercial companies in 1989 was used to finance not purchases of equities from investors, although not on quite the American scale.

The message we should learn from all this is that while risk might go round and round, it cannot be avoided and could, indeed, be aggravated. One adjustment mechanism in earlier times would be that deposits would flow from weaker banks to stronger ones, but this is scarcely happening. Confident depositors are continuing to support the rapid expansion of lending, which bankers find must be channelled into ever-riskier areas even if they do not seem dangerous to begin with. There are signs that British banks are, in fact, beginning to hold back in sectors like property where lending growth peaked a year ago. But in a difficult climate, new lending must be supplied to support existing debt.

So, there need be no puzzle over why these discreet and prudent bankers have become flamboyant, devil-may-care risk-takers, even resorting to selling loans by mail-shot. They have discovered that virtue does not bring a reward.

## A word in your ear.

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— Barry Riley,  
Financial Times, 24th March 1990

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## MARKETS

## FINANCE &amp; THE FAMILY: THIS WEEK

## Student loans: what to do, and when

TOP-UP loans for students, dubbed the "junk bonds of academe," will be available from September even though the scheme has proved far from popular with many of those involved. With the enabling Bill now in its final parliamentary stages, Sara Webb looks at what will be required. Page III.

## Why Tessa poses a threat to the established order

ONE OF the Chancellor's Budget surprises was introducing tax-exempt special savings accounts - dubbed Tessa - as a way to stimulate savings. But, warns Sara Webb, the idea could well draw cash away from ordinary deposit accounts as well as unit trusts and personal equity plans. Page III.

## The bank that wants to know more about its customers

IF YOU are a customer of Barclays Bank, you have probably received a six-page leaflet in the past week or two telling you that the bank is setting up a central customer information service and asking if you have any objections to being included. David Barchard looks at the pros and cons. Page V.

## Walking the tightrope between credit and debt

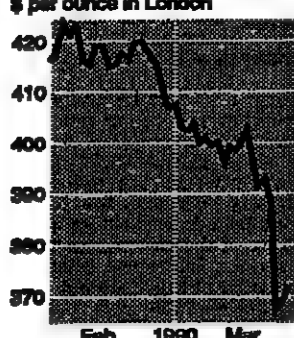
FROM THE security of a regular income, the danger of becoming a serious debtor might seem mercifully remote. But as the 50,000 people facing repossession orders on mortgage payment defaults bear witness, the line between controlled credit and debt is very thin. Jane McLoughlin explains. Page VI.

**MINDING YOUR OWN BUSINESS:** The woman whose climb from Girl Friday to proprietor of a flying school reads like something from a Nevil Shute novel; and the two men who run London's most up-market pawnshop. Page VII.

**BRIEFCASE:** A tax bill played by the book. Page VI.

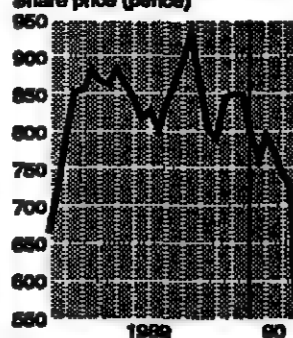
## Gold price

\$ per ounce in London



## Carlton Comm.

Share price (pence)



## Gold reels after reports of Middle East sell-off

THE GOLD market took a severe tumble this week, falling \$20 in a single day on Monday when there were widespread reports of a Middle Eastern sell-off leading a large amount of bullion. The collapse of the price, which took the metal gold down to \$368 an ounce on the day, followed a six-month period in which the market had rallied strongly to recover from a two-year depression. Early in February, the price peaked at \$428 an ounce since then, though, it has been in retreat, dropping below the \$400 mark a fortnight ago. - Terry Dodsworth.

## Carlton shares get that sinking feeling

SHARES in Carlton Communications fell sharply twice this week as market sentiment succumbed to bearish news, both real and feared. First, Carlton broke with the tradition of issuing effusive trading statements by saying that business was merely satisfactory. Analysts took this as a signal to down-grade their price targets for the company, and the shares lost 81p on Tuesday. Second, the offer for sale by Thorn and BE of 58 per cent of Thames Television triggered fears that Carlton could be tempted to buy the holding - and might have to issue shares to pay for it. The share price fell another 42p on Thursday. But analysts felt the falls were overdone, not least because the sale on Tuesday of the Cosworth specialist engine-maker to Vickers was thought to have been at a good price (£163.5m) for both sides. Yesterday, Carlton recovered some of the ground lost before resuming its downward trend. - Daniel Green.

## Last chance to invest in 1989/90 BES issues

THIS WEEK is the last chance to invest in Business Expansion Scheme (BES) issues during the 1989-90 financial year. However, several investors have already had cheques returned. Brown Shipley, for instance, is notifying investors that Castleton has failed to raise its minimum subscription of £2m. Altogether, about £120m has been raised under the BES in the 1989-90 tax year, compared with over £350m last year. - Heather Farmbrough.

## Courts opening IOM subsidiary

COUTTS & CO, the private banker, is to open a subsidiary on the Isle of Man on Monday. It will accept deposits of £5,000 or more, up to a maximum of £250,000. Gross annual interest of 13.5 per cent will be paid on amounts up to £19,999, and 14 per cent on sums of £20,000 or above. Funds are subject to 30 days' notice of withdrawal and interest is paid half-yearly. - David Barchard.

## SHAREHOLDERS in BAT

Industries, the tobacco-based conglomerate, have not had much to complain about over the past 12 months. Thanks to the combined forces of Sir James Goldsmith and the BAT board's response to his predatory threat, they have seen their shares jump from around 500p a year ago to 900p last July before drifting gently to the present 800p level.

The coming weeks may not change this broad picture but they could prove more testing. A confluence of events, with potentially contrasting effects on BAT's share price, is set to occur and investors may be well-advised to stay alert.

There are three principal reasons for this:

■ First, the stream of asset sales and spin-offs, envisaged in BAT's defensive "re-structuring" plan last September, is now getting under way. An extraordinary general meeting to approve the de-merger of Argos, the catalogue show-room retail subsidiary, will be held next Thursday. On Friday, Argos shares should start trading separately; BAT shares will

adjust downwards on the same morning. In theory, this should not be unduly complicated. Most analysts reckon that Argos shares are worth a rating of around 13 times prospective earnings, to give a price of about 200p. Shareholders will receive one Argos for every five BAT, so the BAT price should lose some 40p. For private shareholders, however, there is the issue of whether they wish to be long-term holders in Argos, where their stakes may be very small. BAT estimates that 100,000 of its 140,000 investors will receive fewer than 500 Argos shares. Accordingly, it has set up a commission-free sale facility for the first four weeks after the launch. Whether it is wise to utilise this, however, despite the commission saving, is a moot point. For a start, many analysts suggest that Argos could attract bid speculation at some stage - although how quickly

this might be factored into the market price is difficult to predict. Equally, there could be some institutional re-shuffling in the wake of the de-merger. BAT, for example, forms part of the FT-SE 100 share index and is, therefore, held by "index funds." Argos will not qualify; hence, these funds may be sellers of the retailer's shares. In a similar vein, the Argos entitlements of the American depositary banks, which hold more than 4 per cent of BAT's shares, are expected to come back onto the UK market. ■ Second, the adjustment in the BAT price could be muted by some regulatory decisions in the United States. The application by Axa-Midi Assurance to own Farmers Group, BAT's US insurance subsidiary, has now been heard by four state insurance departments, with the Washington and Texas proceedings due to take place over the next three

months. (Axa would buy Farmers from Goldsmith's Hoylake consortium if the latter made a successful bid for BAT.) Predictions are unwise in this game, but it seems likely that the first, and arguably most critical, decision will come from California. Farmers' home state. Local officials have suggested that they will rule either on, or around, April 9 - the first working day after the Argos de-merger takes effect. The extent to which the implications of an adverse ruling for Axa have been absorbed already into the present BAT price is debatable. That said, further decisions from the likes of Illinois and Idaho are also expected during the coming month and, as one analyst puts it: "If there's nothing but negative news from the hearings, you could see the shares go down - at least temporarily." ■ Third, there is the question of BAT's share buy-back pro-

gramme. So far, the company's brokers have not re-entered the market in the wake of the results' announcement on March 21. They are, however, free to do so until April 30 when the next "closed season" - lasting a month - begins. If buying does re-start, there could be some support to counteract any broadly prohibitive moves by the US insurance regulators. For many small shareholders, attempting to second-guess these various permutations might seem more trouble than it is worth. However, that has not stopped City specialists from exploring even more elaborate possibilities. As James Capel - the stock-broking firm which was employed by Hoylake during the BAT bid last summer - pointed out to clients last week, it is possible to set up exposure to either more BAT shares (ex any Argos entitlement) or to Argos shares alone

ahead of the actual de-merger through some judicious use of these instruments. This is because of the way traded option contracts behave when a de-merger occurs. Very simply, the exercise price of all BAT options will adjust downwards to reflect the average Argos price between 8.30 and 9 am next Friday. If this, say, is 200p, the exercise price will move down by 40p on all contracts. At the same time, the contract size will increase slightly so that investors who have bought the contracts are no worse off. As a result, careful combinations of different traded option contracts and underlying share holdings can allow investors effectively to lock into an Argos holding or a BAT ex-Ar-gos stake ahead of time. That said, this is not a route for the financially unsophisticated. And if they prefer to reflect on the pleasing increase in their BAT holdings to date - while keeping a wary future eye on the market - they can hardly be blamed.

Nikki Tait

disappointed the City by reporting profits down 30 per cent at \$55.4m despite its strenuous efforts to slim down after a greedy expansion programme. Sir Jeffrey Sterling, chairman of Peninsular and Oriental Steam Navigation, also frightened the market with some cautious comments about the uncertainties of present trading, even though 1989 profits at the shipping, construction and services group rose 19 per cent to \$377m. P&O followed that by increasing its joint bid for Laing Properties from 65p to 72p on Wednesday, although there is continuing doubt in the City about the take-over's chances of success. Laing shares ended the week at 65p, well short of the new offer. Worst of the week's news for the insurance market came on Monday. The Department of Trade and Industry stepped in at London United Investments, banning the underwriting of new business by its insurance subsidiary because of a lack of reserves to meet claims. Its shares were suspended. On Tuesday, the Prudential Corporation admitted that 1989 had been a "disappointing" year for its insurance arm - group profits advanced only 9 per cent - and, two days later, Guardian Royal Exchange announced a sharp rise in profits. It was hit by a mounting number of claims from the Irish motor insurance market,

where it seems to have expanded too rapidly. It was perhaps surprising that a retailer - Kingfisher - should be one of the only companies lightening the gloom this week. The group, which owns Woolworth, B&Q and Comet, reported profits for the year to February 3 up from \$175m to \$207m. Kingfisher is touting the mantra "improved efficiency" to ward off the downturn. That trend could strike fear into the hearts of employees at a number of large quoted companies before long, judging from the forecast effects of re-structuring plans at British Petroleum and British Telecom. Last week, BP revealed that about 900 staff would no longer be required following re-organisation; this week, it was suggested that about 30,000 fewer employees might be answering to BT in three years' time. It might be the only way. Compared with a year ago, the FT-Actuaries capital goods group - home to engineering, electronics and building companies - was down more than 15 per cent against the whole market when the results season began in mid-February. It has perked up a little since then, but the last week of March has made April fools of those optimists who thought British industry was finding the going easier than expected.

Andrew Hill

## London

## Blinkered traders ignore the odds

IF YOU HAVE a short memory and wear blinkers, you could find yourself lining up alongside 40 kindred spirits at the start of next Saturday's Grand National. Alternatively, you might already be installed in a City dealing room.

Consider the odds at the beginning of this week. British companies were stampeding into the company reporting season, apparently unimpressed by high interest rates. Japan had suffered some jarring falls in the previous seven days. The Government had unveiled its rider in spectacular fashion at the Mid-Staffordshire by-election and John Major's first Budget as Chancellor seemed to have done nothing to rein in inflation or spur sterling.

In those circumstances, Monday's trading should have been at least cautious despite Major's optimism in a Sunday television interview when he

indicated the possibility of falling inflation and interest rates by the beginning of next year. Instead, the day had all the hallmarks of a verifying classic. An impressive recovery in Tokyo on Monday seemed, inexplicably, to cheer up the same dealers who had ignored the Nikkei average's misfortunes in the previous week. The FT-SE 100 index actually leapt over the 2,300 mark briefly, pulling up just short - 143 points higher at 2287.2 - by the end of the day.

Tuesday saw a more sober appraisal of the risks still in the market. Footsie slipped 32 points on the day - the equity trader's equivalent of sensible steepchairs refusing Becher's Brook the second time around. Indeed, fear of the obstacles ahead was enough to subvert the market for the rest of the week. After some nervous selling in the last half-hour's trading, Footsie finally

closed last night down 36 points on the week at 2247.3. The week was short of economic vertigo. In fact, if anything, the pressure eased on the Bank of England and the Chancellor as sterling improved by more than four pence against the dollar and 4.5 pence against the mark.

On Wednesday, the governor of the Bank of England indicated to the House of Commons Treasury and Civil Service Committee that he expected interest rates to remain high world-wide, and inflation to peak at about 9 per cent early in the summer. This largely echoed Treasury forecasts and really represented no more than a booster dose of Major's tough medicine. The market was much more interested in examining the symptoms of the large British companies reporting this week. So far, the corporate results' season has not unsettled the

## HIGHLIGHTS OF THE WEEK

	Price	Change	1989/90	1988/89	
	1 day	on week	High	Low	
FT-SE 100 Index	2247.3	-36.0	2463.7	1782.6	Lack of support
Austrian	73	+12	158	36	Recent 'buy' notes
Bovador	483	+38	581	386	Good figures
Bullough	113	-15	196	107	Profits warning
Carlton Comm.	544	-198	968	548	Profit caution; Thames TV bid fear
Newstar Holdings	612	-58	783	598	Disappointing figures
Lancaster	174nd	+98	181	86	Agreed Zang Fu bid
Midsummer Leisure	188	+34	258	128	In bid talks
Mollie	257nd	+20	267	190	Hostile Leonardo bid
Pearson	895	+40	829	620	Pre-results buying in this market
RSC	624	-29	619	503	Worries over profit margins
Sears	82	-3	137	82	Warburg 'switch to M&S' suggestion
Sun Life	1285	+57	1448	853	Good results; UAP increasing stake
Thames TV	506	+25	579	390	State offer triggers bid hopes
THORN EMI	859	-25	896	625	Selling Syson and Thames stake

DECOUPLING between the world's stock markets continues. In the past three days, Tokyo's Nikkei average has suffered another 8 per cent plunge while West German prices have hit new highs and Wall Street has continued to drift quietly within an arc of its all-time rounds.

Bond prices also appear to have decoupled, albeit in the other direction. The German fixed-interest market, which led the world-wide collapse in bond and equity prices at the beginning of the year, has been enjoying an impressive, although largely unheralded, recovery. In the Japanese market, too, there have been signs that the worst might now be over. Meanwhile, the US Treasury market, which stood out as a haven of relative tranquility during the past few months, has started to behave in an increasingly erratic and bearish fashion.

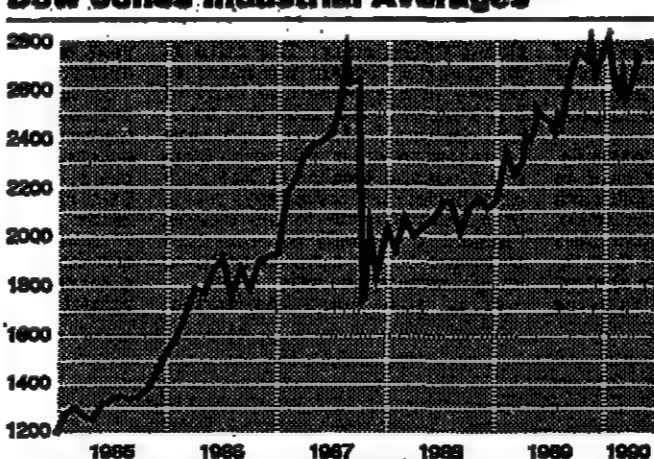
The seemingly contradictory trends in stock and bond markets around the world do not necessarily imply any dangerous inconsistency in expectations. It is quite possible to imagine a international economic outlook that would justify the recent financial developments. The US economy could turn out to be considerably stronger than most analysts had anticipated a few months ago. If so, this would justify both the nervousness of bond markets and the high equity prices in the US. The German economy could continue to go from strength to strength, validating the country's record stock prices. However, it is quite possible that the German economic recovery, as well as the unification with the East, could proceed without the inflationary explosion which so terrified bond investors a month ago.

Meanwhile, developments in Japan could continue to justify the unexpectedly insular troubles in the Tokyo stock market. For years, the over-valua-

## Wall Street

## The outlook is unsettled

## Dow Jones Industrial Averages



tion of Japanese equities has been predicated on the uniqueness of the country's financial environment and economic system. But it is quite possible that the political paralysis in Tokyo, and the seemingly bottomless collapse of the yen, have shattered this illusion for good.

If so, then the floor for the Japanese equity market is probably still a very long way down. The country's bond market, by contrast, is starting to look quite attractive, even by relatively objective international standards. A growing number of analysts on Wall Street are pointing out, for instance, that real long-term interest rates in Japan are now higher than in the US.

The question now is what could go wrong with the financial markets' implicit forecasts. Obviously, the economic assumptions could turn out to be wrong. The US economy could weaken dramatically, for instance. Or inflation could accelerate sharply, after all, in Germany and Japan. An even greater risk seems to relate to economic policies, rather than actual economic performance. On the domestic front, it might not be too long before Wall Street starts worrying about election-year politics. If, as appears increasingly likely, the Federal Reserve Board has so far failed in its attempts to squeeze US inflation below the 4-5 per cent range, it is unlikely to have another

chance until the mid-1990s. At best, there could be a small window of opportunity for a monetary tightening in the second half of this year but, beyond that, the pressures of the 1992 presidential election will take over, just as electoral considerations now dominate economic policy-making in Britain.

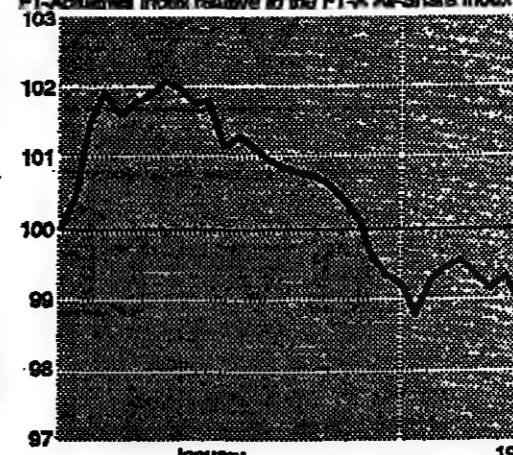
How investors will react to the political constraints is anybody's guess. But the prevailing mood for policy-makers suggests a high-risk period for US financial markets in the year or so ahead - either because the Fed seems to last chance to arrange a squeeze, or because investors' "Dailies" become alarmed about the long-term inflationary bias in US policies.

On the international front, political problems loom even larger and more immediately. Last weekend's meeting between the US and Japanese finance ministers appears to have been a disaster, at least from the Japanese investors' standpoint. And while Wall Street generally has rallied in response to the continuing fall of the yen against the dollar this week, the celebrations are giving way to second thoughts. In the bond market, particularly, there is talk of retribution from Tokyo. Rumours abound about a sudden loss of interest in US Treasury securities among Japanese investors.

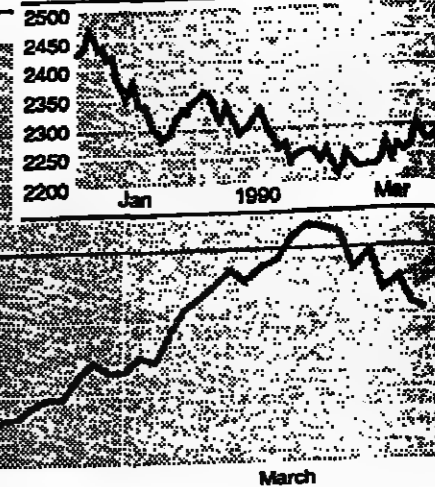
The US and Japanese governments still have an opportunity to come to an understanding at the Group of Seven meeting in Paris next week. But if this meeting fails to produce a new consensus on international economic policy, the world's financial markets could face their most unsettled period since 1987.

## Capital Goods Group

FT-Actuaries Index relative to the FT-AI Share Index



## FT-SE 100 Index



market too badly; indeed, a series of satisfactory annual figures seem to have shored-up equities in spite of poor political and economic news. This week had a different tone, though. The vulnerability of construction-related groups to increased interest rates is now such a truism that it hardly seems worth repeating, but the uncertainties of present trading, even though 1989 profits at the shipping, construction and services group rose 19 per cent to \$377m. P&O followed that by increasing its joint bid for Laing Properties from 65p to 72p on Wednesday, although there is continuing doubt in the City about the take-over's chances of success. Laing shares ended the week at 65p, well short of the new offer.

The contrast between two housing masterplans, Steelhead and Marley, which reported 1989 results on the same day, was more instructive. Steelhead took just under half its profits from international operations and managed to increase the group profits for the year by 27 per cent to \$111m in the face of the UK housing market's downturn. Marley's international profits also increased, but not enough to offset the ill-effects of lower British demand: overall profits slipped 10 per cent to \$71.2m. It was not a good day for UK companies. Buntal, the paper and industrial products group,

disappointed the City by reporting profits down 30 per cent at \$55.4m despite its strenuous efforts to slim down after a greedy expansion programme. Sir Jeffrey Sterling, chairman of Peninsular and Oriental Steam Navigation, also frightened the market with some cautious comments about the uncertainties of present trading, even though 1989 profits at the shipping, construction and services group rose 19 per cent to \$377m. P&O followed that by increasing its joint bid for Laing Properties from 65p to 72p on Wednesday, although there is continuing doubt in the City about the take-over's chances of success. Laing shares ended the week at 65p, well short of the new offer.

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## Junior Markets

## New issues take a dive

THE LATEST statistics from KPMG Peat Marwick McLintock, a secondary market firm which keeps a steady eye on flotation volumes on the London market, will make depressing reading for anyone hoping to sponsor a USM new issue this year. They show that, during the first three months of 1990, the USM new issue market fell virtually into a slumber.

Dealings started in shares of just five companies - the lowest quarterly level that Peat Marwick has recorded in the past four years. The fall-off looks even more galling if it is compared with statistics for the main market during the same period, which show 25 companies making their debuts. A full 13 of these, however, were new investment trusts - and USM specialists will find comfort in reflecting that the fashion for launching these has died away in recent weeks.

Historical Peat Marwick figures show the USM usually has rather a quiet time at the start of the year. Even so, this year's five companies with a total of nine in 1989 and 19 in 1988. Ray Mackie, Peat Marwick's head of new issues, confesses he is at a loss for a compelling explanation. But he suggests uncertainty ahead of the Stock Exchange's reorganisation at the start of this year, when it merged the USM and the Third Market together, might have played a big part.

"Companies contemplating flotation may have been wondering what the USM would look like, and held back," he says. Whether new issue volumes will, by the same token, revive as the year wears on remains to be seen. The new issue market's response to a change in conditions is always subject to a "lag effect" because of the time lapse of up to six months between a company thinking about floating and actually reaching the market.

Similarly, then, the dismal first-quarter figure could also reflect growing concerns last year about higher interest rates and the general state of the UK economy. On a more cheerful note, Mackie adds that it is always dangerous to extrapolate from the first quarter. "You'd have been quite wrong if you'd done that last year," he says. The second, third, and fourth quarters of 1989 saw totals standing at 25, 17 and 16 respectively.

For the record, those companies that did make it onto the USM were Wharfedale, a loud-speaker company which has emerged from the old Audio Fidelity; Wiltshire Brewery; Novaval, a bio-technology development company; ADG, sales and marketing company;

and Dakota, a printing and packaging concern. Over the secondary market, results from a number of companies which came out this week indicate the USM will be enduring its fair share of grey-looking figures and gloomy chairman's statements before the reporting season is out.

William Bedford, the antiques dealer with a chequered history as a quoted company, announced that it sustained a further decline in pre-tax profits last year, from £283,339 to £265,345, despite a small rise in sales. If that were not dismal enough, it added that the first two months of the present year had seen "a considerable deterioration."

Figures from Maybora, a babyware, toy and florist's sundries business, showed it was still having difficulties with Shawbrook, its US subsidiary, which gave rise to big exceptional items. But soaring interest charges also played their part in a dive in pre-tax profits from £2.14m to just £200,000 in the year to end-December.

London Forfating, the specialist transport finance company, said it had been hit last year by higher interest rates on its D-mark, in which much of its fixed-rate business is conducted. The pre-tax loss was £26.1m against profits of £19.95m. But a maintained dividend, and a statement that the company was taking action to limit the damage, steadied the shares.

There was the odd bright spot during this generally uninspiring week. Devotees of the painted boxes sold under the brand name Halcrow Days by Bilton & Battersea Enamels will have been pleased to see it achieve a revival in pre-tax profits to £585,000 from £314,000 last year. This followed sweeping reductions in operating and administrative costs.

Elsewhere, Atlas Converting, which has produced good results consistently since it joined the USM in 1986, was still motoring ahead last year with a hefty rise in pre-tax profits from £3.37m to £5.05m. The company, which sells to the packaging industry, makes slitting and re-winding machines which take large rolls of paper, plastic or film, slit them and re-wind them into handy sizes.

In contrast to the popular image of the USM company as one that is highly dependent on the domestic market and heavily borrowed, Atlas exports about 80 per cent of its products and is cash-positive, with balances standing at about £5m at the end of December.

Clare Pearson

## BAT could be put to the test

## FINANCE &amp; THE FAMILY

## Sara Webb offers students an introductory course on the 'junk bonds of academe'

# Higher education on a rising debt load

STUDENT top-up loans, dubbed "the junk bonds of academe" by their critics, will be available from September. The Government's scheme is intended to supplement existing maintenance grants and contributions from parents, and students will be entitled to an "interest-free" loan from the Student Loans Company (SLC), which is funded by the Government. The loan will be pegged to the retail price index so that the sum paid back is equivalent to the sum borrowed once adjusted for inflation.

The Government expects the scheme to need between £10m-£20m to get started but it has not proved popular with many students and academics. Even Lord Boyd-Carpenter (former Conservative minister) has said: "Socially, it seems quite wrong that you should compel every student who becomes a graduate to emerge as a debtor."

With the Bill in its final parliamentary stages, most of the details have been set. So this is how the scheme will work.

**When do I need to apply?**  
At the start of your course. You should receive a form requesting details such as name and national insurance number. It might also ask for two referees: they would not have to act as guarantors if you do not have the loan but they could be obliged to supply information such as your whereabouts.

**How do I apply?**  
Complete the form and send it with a certificate proving eligibility to the Student Loans Company (SLC) in Glasgow. As the Bill stands, the education institution will have to handle the certification of all of its students applying for loans in order to confirm that they are eligible for a loan and have enrolled on a course.

The Committee of Vice-Chancellors and Principals, which is critical of the scheme, fears that it may be forced to do even more of the administrative work. This could include the distribution and collection of forms and checking the identity of students. Once it has received the forms, the SLC will send out the loan documents.

These must be signed and returned.

**How soon will I receive the money?**  
The money will be transferred to your bank account within about five weeks, according to the SLC. It adds that the time could be reduced if the institutions help on the administration side. You can choose to be paid either at the beginning of the year or the beginning of each term.

**How much money can I borrow?**  
This will depend on whether you live with your family - in which case you will be entitled to a lower loan to reflect the fact that the cost of living at home is lower than renting accommodation.

If you are not living at home, the amount available will depend on whether you are studying in London or not. Students will also receive less money in their final year (which does not include the summer vacation months) than in the other years.

For example, in 1990/91 a student in his first full year could borrow up to £480 if he lives in London, £420 if he lives outside London, and £330 if he is living at home. If he is in his final year, the limits are £240, £210 and £240 respectively.

So a student taking the maximum loan, together with a grant and parental contribution would receive £2,806 for maintenance in London, £2,865 if living elsewhere, and £2,125 if living at home in a full year. In the final year, the student would receive £2,185, £2,575, or £2,035 respectively.

**Should I borrow the full amount?**  
You do not have to borrow the full amount but the sum you are entitled to is only available for that academic year - you cannot hold over the unused portion and borrow it later.

One of the main criticisms made by the



Protest: students demonstrate against the loans scheme to be introduced this autumn

Committee of Vice-Chancellors and Principals (CVCP) of the top-up loan scheme is also eligible. The CVCP says that the scheme is at a disadvantage as they may be forced to borrow whereas students from wealthier backgrounds will not.

There is nothing to stop more canny students from taking the top-up loan, even if they do not need the money, and making a profit on it by depositing it in a high interest-bearing account, paying at above the rate of inflation, or even staging the next privatisation issue.

**Who is eligible for the loans?**  
Any UK student in full-time higher education at college, polytechnic or university provided he or she is aged 18 or under. Those on post-graduate courses will not be entitled unless they are on a Postgraduate

and your parents. The government plans to freeze the grant element and parental contributions so that proportionately more will come from loans.

**How does repayment work?**  
Monthly repayments on the loan will start in the April after graduation and will be set by the SLC. They will be adjusted each year in line with the Retail Price Index.

The Department of Education and Science (DES) says the monthly payments will be deducted by direct debit from the student's account. The repayment period is five years; however, you may (if you graduate and go straight into a well-paid job) repay the sum sooner. The CVCP maintains that this could discourage students from pursuing careers in low-paid jobs such as teaching and social work, and may discourage students from taking up postgraduate studies because they would not be able to repay the loan so quickly.

**What if I can't afford to repay the loan?**  
The SLC will defer repayments for up to one year at a time if you earn less than 85 per cent of the national average wage. At the moment the national average wage is about £10,000. However, the onus will be on you to prove that your income is below 85 per cent of the national average.

**What if I default on the loan?**  
Outstanding loans will be written off after 25 years or when a borrower turns 50, whichever occurs first. They will be cancelled in the event of death.

**What if I default on the loan?**  
Ron Harrison, chief executive of the SLC, says that genuine defaulters will be treated sympathetically provided they warn the SLC that they are facing difficulties with their repayments. Those students who "don't want to pay", however, will be chased vigorously with regular reminders

through the post. If they don't respond after the fourth such letter, the SLC plans to take legal action. It is also entitled to use debt-collecting agencies and threaten to blacklist a defaulter for credit agency purposes, though Harrison says he does not envisage using such methods.

**What will the interest rate for borrowing be? Will the SLC make a profit out of me the way banks do when they lend money?**  
There is no interest on the loan, but it is pegged to the RPI so that graduates pay back the capital sum in real terms. The DES claims that there is no intention to make a profit on lending. The bill has been amended so that students under 18 - who ordinarily would not be allowed to take out a loan - can do so.

Initially, the SLC will be government-owned. The question of whether it will be privatised at a later stage remains open.

**Will the loan system eventually replace grants and parental contributions?**  
The aim is for loans to represent 50 per cent, and the grant and parental contributions 50 per cent of a student's maintenance. However, according to the *Student Income and Expenditure Survey 1988/89* published by Research Services Ltd for the DES, 40 per cent of parents do not meet their contribution requirements. Furthermore, about one third of all students receive less than the amount of the standard grant (combined grant and parental contributions) to which they are entitled.

**Will I be entitled to other benefits?**  
Initially, housing benefit and income support were to be withdrawn for full-time students, but the bill has been amended now so that students will still be entitled to the former benefit. The government was expected to save a huge amount by withdrawing these benefits: about 70 per cent of students claimed on average £249 in benefits in 1988. Disabled students will still be entitled to income support and housing benefit, and may be entitled to special arrangements (still to be decided) on their repayments.

Sara Webb on the implications of John Major's lure for savers

## Tessa tempts faint-hearted

TESSA could prove a disruptive lady in the savings market. The tax-exempt special savings account, the Chancellor's new baby with which he intends to stimulate savings, could well end up drawing money away from such well-worn alternatives as the ordinary deposit account. She could also tempt a few faint-hearted investors away from unit trusts and personal equity plans (PEPs) if the stock market continues in its present lacklustre state.

Andrew H.

It is quite possible that Tessa might not encourage any net new savings at all, according to some people in the industry. As to whether it is a sensible scheme for you, this depends on what you think is going to happen to interest rates, inflation and the stock market over the next five years.

Those in the investment business generally argue that over the longer term, say five to ten years, the stock market has higher returns than a building society account. To get the full advantage of Tessa, you have to leave your money in for five years to attract your tax rebate (all the tax you would have paid on your interest) at the end of the period. But in that time, interest rates could have fallen sharply from their present high levels. If that happens the return on your Tessa investment will fall, while the stock market should advance because of the beneficial impact on the economy of a decline in interest rates.

"Interest rates are high at present so people get a good return in the building society, but over the medium to long term, the Government's aim is to lower inflation and interest rates," says Tony Smith, chief executive of the Unit Trust Association (UTA).

So who will use Tessa?

For a start, those people who already save are likely to exploit this opportunity for tax-exempt interest: people in their fifties, for example, many of them higher rate taxpayers who have accumulated some capital and already have it in a building society or bank deposit will just be able to shift it into a tax-exempt account.

"Tessa are more likely to reshuffle old money about," says Jasper Olivier, managing director of Hambros unit trust business. In other words, some pensioners or younger wage-earners who are in the early stages of paying off their mortgage are unlikely to be able to squeeze any extra money into a new savings account.

On the issue of whether Tessa will create net new savings, the industry is sharply divided. Anthony

Myers of Gartmore thinks that people could well be persuaded to save more and spend less.

On the other hand, David Currie and Geoffrey Dicks of the London Business School estimate that Tessa will have very little effect on the savings rate.

Gordon Fell, head of personal banking at Lloyds, also argues that the scheme will not bring new savers into the fold "because the people who would normally spend and are now perhaps thinking of saving need an instant access account." In his experience the idea of locking money detests many potential savers.

David Roster of Mercury Unit Trusts draws a comparison with PEPs: "How much new money went into them when they were launched? Not much. A lot of money came from funds already earmarked for investment in equities and unit trusts."

Will Tessa similarly claw money away from other forms of savings and investment? It is thought that Tessa is most likely to threaten Save As You Earn schemes and possibly guaranteed income bonds.

David Gilchrist, general manager of Halifax building society, points out that Tessa is a much more flexible scheme than SAYE. "There is scope for financial institutions to have more than one Tessa scheme - you could have one based on regular savings and one for lump sums," he says. The other savings accounts which might be affected are fixed term deposits.

However, when it comes to shares and other forms of investment, few are quaking in their boots. Ian Chaytor, director of the Legal & General insurance group, says: "We don't think it will have any real impact on longer-term savings [ie ten-year policies] in which we are involved."

Like the success of PEPs, though, Chaytor says Legal & General may consider adding Tessa to its existing range of products. L&G, Norwich Union, and Prudential Insurance all think Tessa could be a useful way of capturing savers who could later be enticed into other more sophisticated financial products. The Prudential might achieve this by acquiring a building society, a plan it has had on the stocks for some time.

Clearly the success of Tessa will depend on the return to the investor - and this is not simply a question of the tax exempt status of the scheme. Each Tessa can only attract a small amount of money (up to £3,000 in the first year, and £1,000 in other years up to a total of £9,000); so Tessa will probably be expensive for the banks and building societies to administer. They may either cover this cost by levying an administration fee or simply by offering a lower interest rate than on similar instant access accounts.

The cost will be determined to some extent by how many different types of scheme the industry is tempted to launch. The more there are, the more the administrative costs are likely to mount and the less attractive they would appear to the saver. As a result, the industry will probably concentrate on two or three Tessa products, each of which can be heavily marketed to a clearly identified group of investors.

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## FINANCE & THE FAMILY

Terry Dodsworth looks at capital gains tax and indexation

# Time to do your sums

IF YOU are lucky enough to be one of the 139,000 or so UK citizens who might be liable to pay capital gains tax (CGT) this year, now is the time to calculate how much of your profits have been due to inflation.

The indexation of capital gains allows you to deduct inflation-related profits from underlying gains to arrive at a taxable figure. It means that you can often declare gross profits of well over the £5,000 limit under which gains are totally free of tax. So how do you work out the inflation allowance for a specific disposal?

The basic principle is quite simple. For any period since the beginning of April 1982, you are compensated for inflation from the month in which you acquired your asset. If the investment was purchased before 1982, inflation in prior years is disregarded - the tax man behaves as though the asset came into your possession on March 31 1982.

Valuations in this case are based on the published records - a process which is suitable for shares, for example - or a notional purchase price calculated by experts for assets such as paintings.

To do the calculations, you have to find the amount of inflation, as measured by the retail price index (RPI), that has occurred between the purchase and sale of the asset.

Next you apply this percentage figure to your original investment, to see how much the asset has increased in price as a result of inflation. Finally, the inflation gain is added to your acquisition price and then deducted from the sales proceeds to arrive at your taxable capital gain.

The tricky bit comes in working out the inflation gain. This can be obtained, if you want to go about it the long way, by looking at the Government's RPI figures, deducting the figure at your purchase

date from the figure at the sale date, and then working out what percentage gain there has been on the original figure.

Fortunately, however, there is a much easier way of doing the arithmetic, courtesy of the Inland Revenue. Every month the IR publishes an indexation allowance table - reproduced here - that can be used to make a quick calculation of your inflation gains.

What the table tells you is how much inflation has occurred since the month in which you acquired an asset. To make the calculation, you need the statistics for the month when you sold your asset. Be careful here because the tables come out two months in arrears.

The figure that correlates with your date of purchase then tells you how much inflation has occurred since that date to the month of publication. In the accompanying table the 0.455 of January 1983, for example, shows that inflation rose by 45.5 per cent from then to February 1990 (0.455 being a short way of expressing 45.5 per cent). If you multiply this index figure by your original investment you get the inflation-related element present in your profit.

Measuring gains for assets acquired before April 1982 is a little more complicated. The main thing to bear in mind is that the tax man is only interested in profits you have made since 1982, and will therefore ask you to have your valuations on the price at March 31 1982.

There is one useful exception to this rule, however. If your asset has fallen in price between the time of purchase and 1982, you are allowed to use the higher, earlier figure, for the acquisition date, on which to calculate your gain. In other words to reduce the amount of profit on which you would be eligible for CGT and thereby treating the gain more fairly. The inflation element,

## ACTION!



on the other hand, continues to be calculated from 1982.

Here is an example to show how these procedures work in practice. Suppose you had bought 1,000 GEC shares in January 1983 at a cost of £2,140. You sold them on February 5 of this year at £2,380, realising a gain of £240. If you look up the February indexation table, you will see that the index figure for January 1983 was 0.455. You multiply your original investment by this figure (£2,140 x 0.455) to arrive at a figure of £973.70, which you add to your purchase price to arrive at the inflation-adjusted acquisition cost of £3,113.70. This is then deducted from the sales proceeds to give your taxable gain. In this case a loss of £733.70 (£2,380 - £3,113.70) that can be allowed against your CGT liability.

How would all this work for a painting bought in the early 1970s? Or for, say, a plot of land acquired in Malaysia in the 1960s? These are the really complicated issues, according to Roger White, senior UK tax partner at KPMG Peat Marwick McLintock, because of the difficulties of establishing a value at March 31 1982.

In these cases you have to come up with a valuation acceptable to the Inland Revenue. You could, of course, produce this yourself - if you are the world's expert on early 18th century French painting

and have recently had to part with your favourite Watteau, your valuation ought to be fairly accurate. But the Inland Revenue likes to have an independent view, so it would probably be best to have your estimate backed up by that of a leading valuer. "If you're selling land in Malaysia, you should try to get a valuation from the local equivalent of a company like Knight Frank & Rutley," says White.

Faced with all these calculations, many potentially eligible taxpayers might well wonder about ways of avoiding capital gains altogether. One very obvious solution is to avoid gains of more than £5,000 in the tax year - remember that this is a net figure after allowing for losses. Avoidance has also become potentially easier by the introduction of independent taxation for married women, which has given wives a £5,000 tax-free limit like their husbands'.

If the partners are prepared to transfer assets between each other, they can now realise £10,000 without paying the tax - although here again you must be aware of the Inland Revenue's view that assets transferred to a spouse must be used genuinely by that person.

You also avoid the tax if your investments are in certain non-qualifying assets. The most common of these is the house you live in (not your second house) but there are several others. These include personal belongings sold for less than £5,000, wasting assets such as boats and caravans, sovereigns dated after 1887, foreign currency for personal spending, the proceeds of an insurance policy and British Government bonds. The rule on sovereigns is rather quaint: they're excluded from the tax because they are still legal tender, whereas Kruggerands, which also attract investors interested in gold coins, are not legal tender and are therefore taxable.

One final point. If you do incur the tax, you will have to pay at the highest rate, income tax. For most people eligible for CGT, this means surrendering 40 per cent of the gain. So if you have a spouse in the 25 per cent tax bracket, it is worthwhile for her or him to take the gain, something which has become feasible since the introduction of independent taxation.

Useful Publications: CGT14 and CGT13, both issued by the Inland Revenue, are invaluable guides to Capital Gains Tax and the indexation calculations.

## GOVETT GERMAN HORIZONS FUND

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David Barchard on Barclays Bank's new customer dossier

## Your name on their computer

IF YOU are a customer of Barclays Bank, you have probably received a six-page leaflet in the last week or two, telling you that the bank is setting up a central customer information service and asking if you object to being included.

All the banks are in the process of setting up centralised customer, computer records, but as far as we know, we are the only bank which has told its customers that they are doing so and asked their consent," says John Cheese, head of marketing at Barclays.

Until now banks have held information about customers in the form of paper records in branches and the information has been based on accounts rather than on individuals. In other words, they have not been able to build up in their records the sort of overall picture of you which your bank manager would have carried in his head in the good old days when bank branches knew their customers personally and offered them the occasional cup of tea.

Barclays does not even know how many personal customers it has: it guesses that there are around 12m. Once the Computer Information System is up and running, the bank will have an individual record for each customer. This will be linked to terminals in each branch, so when you make contact with branch staff, they should be able to call up information about you and understand your requirements more swiftly than at present.

Most large building societies already have this sort of centralised information about their customers: they computerised their business much earlier than the banks did and so were able to take advantage of technology not available in the 1960s. The numbers of their customers also tend to be smaller than those of the large clearing banks.

Barclays is including a reply-paid envelope with its leaflet and says that so far, only a handful of people - 0.1 per cent have refused to join.

Of these, Cheese says that half wanted an assurance that they would not receive mailshots from the bank if they went on the list, while the others rejected the list in principle. One of the principal aims of a unified customer list is to make it easier for banks to "cross-sell" their financial products to you and make, though this is not necessarily anything to be feared. It may make it easier to get some of the financial services, from overdrafts to mortgages, which over-thrilled bank managers used to sell needlessly refused in the past.

Still, it is striking that the word "sell" does not seem to figure on the Barclays leaflet, which is all about such things as "sharing benefits" and "improving services". If you don't want junk mail from your bank ever again, you should be able to stop it by writing and telling your branch manager so. Barclays has around 600,000 customers who have asked to be put on a list of "do not mail" customers.

Most large banks will also guarantee not to pass on customer details outside their own circle. But when banks form joint ventures with outside organisations, something that may be more common after 1992 and the arrival of the Single European market than it is today, there may be occasions when it is hard to ensure that this promise is kept. Staying permanently off the bank's central information list may be more difficult. Barclays says it will assume that customers do not object to being included in the list unless they write to say so. Those Barclays customers who want to find out what details are stored about them in the system can write to The Data Compliance Officer, Barclays Bank plc, Radbrooke Hall, Knutsford, Cheshire, WA16 7JG. Meanwhile perhaps other banks will step forward and tell us as much about their central customer information systems as Barclays has done.

David Barchard

## Halifax branches out

HALIFAX, THE largest UK building society, and Standard Life, the large insurance group, hope to start selling a complete range of unit trusts and personal equity plans (PEPs) on the high street this autumn.

Halifax became a tied agent for Standard Life last July, and already sells Standard Life's range of products. It has sold a lot of pension- and life-related products because of the link but says that sales of Standard Life's clutch of unit trusts to members of the public has been "quite limited".

In most cases, a customer who walked in off the street and expressed an interest in buying unit trusts would have their name and address passed on to Halifax Financial Services Ltd (HFS), the building society's wholly-owned subsidiary which sells Standard Life products. HFS would then get

in contact with them with further details. In future, however, Halifax says it hopes to deal with inquiries directly at its 700 or so branches following the launch of its joint venture with Standard Life, announced week. This is expected to pave the way for a much closer co-operation on the investment side once the relevant authorities have given their approval.

Halifax and Standard Life hope to launch unit trusts and unit trust PEPs under their joint names this autumn. The new unit trusts will complement Standard Life's existing range and will also be managed by the insurance company's fund managers. Standard Life has four UK funds (general, larger companies, growth, and high income), as well as gilt and fixed interest, international growth, north American, European, and Far Eastern trusts.

"We're still at a very early planning stage," says Mike Fearnside, managing director of Halifax Financial Services, "but we intend to have a very strong presence out there on the high street".

Sara Webb

## A ring on the bell

THE DOORBELL rings. A well-dressed young man is standing on the doorstep, and he wants you to invest some money.

This particular young man is not simply selling life assurance or unit trusts. He has a wide array of goods with which to tempt you: a personal equity plan or an investment trust savings scheme, perhaps. Or he might offer to give you advice about investing on the stock market, or to manage your investments for you. "This could happen from early next year, according to the Securities and Investments Board (SIB). This week it suggested a broad relaxation of the marketing restrictions which apply to many investment products and services. Unlike life assurance and unit trusts, these cannot be sold door-to-door at present.

The relaxation would also apply to uninvited telephone calls, street canvassing and "off-the-page" advertisements (ones which can lead to an investor making an immediate commitment, for instance by sending off a cheque to the adviser).

The SIB says it is unfair to allow some investments, like life assurance, to be sold by these methods while other similar products are not. The Consumers Association, however, is in favour of banning all "cold-calling" by investment salesmen, rather than extending it. The association says investment should not be sold on the doorstep: it is a long-term commitment and can be highly complex, which makes it unsuitable to such sales methods. The SIB argues that the public will have plenty of protection. Investment salesmen will be constrained by the requirement to sell only products which are "suitable" to each client. Also, there will be plenty of scope for cancelling an investment agreement later if the client has second thoughts.

The SIB's ideas are contained in a discussion paper: if they win broad support they will appear in a consultative paper later in the year. Should that happen, sit tight and wait for the doorbell to ring...

Richard Waters

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**Fidelity INVESTMENTS**

## FINANCE &amp; THE FAMILY

Jane McLoughlin on Britain's monetary misfits

## Helping hands for a society of debtors

FROM THE security of a regular income, the danger of becoming a serious debtor might seem mercifully remote. But as the 50,000 people facing repossession orders on mortgage payment defaults bear witness, the line between controlled credit and debt is very thin. And the rapid rise in consumer credit in the 1980s to £48.9bn – a figure that has caused some anxiety to the authorities – gives an idea of the extent to which Britain has become a society of debtors.

It takes only a stroke of bad luck, or a change in circumstances, to transform a "respectable" debt into a serious problem. Consider the computer executive who told a

heavily-in-debt colleague that he could not understand how anyone in work could get into such a mess.

"I always have more money than I know what to do with," said the executive. "People like you should be in institutions." Within a year, the executive's wife had walked out and left him to settle her huge debts; he was reduced to begging his "reckless" colleague for advice.

We live in a society where keeping up with the Joneses has become a question of conspicuous consumption. And when people spend for reasons other than need, the door is opened to credit abuse. Plastic cards foster the illusion of toy money and cash dispensers

have spread like fruit machines. Government policy, too, has encouraged even the most conservative to borrow as credit restrictions have been relaxed. Indeed, credit companies are still offering loans to debtors with whom they are simultaneously negotiating debt repayment schedules.

As a response to the potential electoral threat posed by the level of mortgage repayments, the Government is to provide £2m to set up more money advice centres. These would provide counselling and advice for people in debt – basically, breaking down their income and commitments, subtracting one from the other, and planning repayments to

creditors from the difference.

Finance houses often are reassured by the fact that debtors are seen to be trying to deal with their difficulties by seeking help; as a result, they are willing to accept a repayment budget. But according to Stuart Giles – who, two years ago, set up a unique self-help group called Support in Debt for credit abusers in Manchester – money spent on advice centres as a way of alleviating the problem of debt is an exercise in futility.

Giles says: "There's a belief that unemployment and poverty cause debt. It's a myth. I'm always accused of looking too deeply into the causes of debt, but there are half a million people with the problem in this country – people from all walks of life and backgrounds – and the great majority of them are repeated debtors because the job of dealing with their problem isn't done properly."

Support in Debt is sometimes compared with Alcoholics Anonymous, although Giles says the analogy is not exact. SID group sessions are always orchestrated; and although members gain on the principle that a trouble shared is a trouble halved, there is much more to it than a group of people with a similar problem sitting down to talk about debt.

He created the group, now run by a management committee, out of the demand for debt advice and counselling he saw in nine years as a social worker specialising in problem families. Before that, years as



manager of an employment bureau had also provided relevant experience.

Giles argues that, for most people, debt is a symptom of a deeper emotional problem. So advice on juggling creditors and planning budgets is not enough unless the reason for getting into debt is faced as a first step.

"Barbara" is a magistrate and an example of a highly respectable citizen who became a debtor. She had a well paid job training computer operators until she retired to part-time consultancy and became a voluntary part-time administrator of SID.

She explains: "In 1981 I had a husband working, plus his mobility allowance because he'd had a stroke. My mother lived with us and I had attendance allowance and her pension. I worked full-time and there was child benefit for my son. Two years later, my husband died suddenly, then my

mother. My son left school and the child benefit stopped.

"My problem arose because, to cope with bereavement, I pretended that nothing had happened and carried on spending as though my circumstances hadn't changed. In 1985, I realised I had debts and went to the bank. The manager told me he would lend me £2,500 and I should pay off the debts and just have the single loan. But he didn't take my cards away. I paid enough to bring them down and the credit cards built up again."

SID changed her awareness of her circumstances. "When my husband was alive, we used to talk everything over. When he went, I didn't know what to do." With SID, she says, "I could talk it through and get a feedback."

Barbara will be paying back her debts for the rest of her life but the group has helped her to find a way of living with that.

Giles says: "People put the blame on over-easy credit. But you can't blame the finance industry. It's wrong to penalise genuine people wanting credit because other people abuse it. We hold seminars for finance companies to increase their awareness of the reality of debt, that people's circumstances change through no fault of their own and they need time to re-adjust. We're not asking for them to be let off, or given the money."

Several thousand people have passed through the SID office in Manchester. All of them, says Giles, had first been down the conventional routes for help and advice before SID.

The group survives on voluntary help. The National Westminster Bank gave it £2,000 eighteen months ago, of which a hundred or so is left. Giles does not dare even dream of what he could do with a crumb of the Government's proposed £2m.

## Tax bill played by the book

OVER THE last 40 years I have assembled a collection of rare and antiquarian books. Now I am taking early retirement from academic life I wish to sell these books, 3,000 in number, worth from £25 to £250 each and at least £100,000 in total.

However, I am confused about my capital gains tax position, especially in relation to auctioned items. I have consulted the accountants of two auction houses and two leading antiquarian booksellers, as well as my solicitor, and we have been able to give me a clear idea of the CGT liability should the collection be sold. At auction, each lot would achieve less than £3,000 and so be exempt from CGT, so long as the lots are purchased by a range of bidders. However, auction may not be the best way to realise the value of my library. What would the CGT liability be if I sold it to one dealer as a block, or sold the books privately in dribs and drabs? Does the Inland Revenue recognise such a person as a "bona fide collector" for tax purposes?

There is no standard catalogue from which to establish current values. There is also no way of establishing the 1982 value of the collection, as there are no receipts, and the cost of a retrospective valuation would be prohibitive. The books are insured for an overall national sum. Can the collection be sold without incurring a tax liability?

While we understand the caution of auctioneers' accountants and booksellers not skilled in tax law, we are puzzled by your remark that your own solicitor apparently found

## Q&amp;A BRIEFCASE

*No legal responsibility can be accepted for the content of the Briefcase. The content is given in these columns. All inquiries will be answered by post as soon as possible.*

difficulty in constructing section 128 of the CGT Act 1979 (as amended by section 123 of the Finance Act 1989). It does not matter whether the purchaser is a bona fide collector. What matters is whether any sets of books are sold for more than £5,000 (before deduction of auctioneers' commission etc.), or whether your entire collection (or some part of it) might be regarded as "a set of articles" caught by subsection 4 of section 128. If so, the set or sets would have to be valued as at March 31 1982 (market value, not insurance value), but the cost of ascertaining that value would be deductible in calculating the chargeable gain. It is possible (but unlikely) that the set or sets of books could be relevant in relation to books acquired before then.

The final question can only be answered by someone who knows what your collection comprises, as well as knowing the CGT rules.

We ought perhaps to warn you that, if a set were sold at auction for not a great deal more than £5,000, you could find that for each pound by which the bidding rose, about 66 pence would be taken by the taxman. This 75 per cent marginal rate of CGT for articles sold at auction (assuming auctioneers' commission of 11½ per cent, inclusive of VAT) results from the old provisions in subsection 2 of section 128.

## No relief for pensions

I AM 65 and receive an occupational pension from a Swiss parent company, paid in sterling. The company has agreed to remit this pension on a 50/50 basis respectively, to a joint account held by my wife and I and to my wife's independent account. Will this arrangement qualify "our" pension for separate assessment under the impending independent taxation of spouses? What additional steps might assist in convincing the Revenue that I have assigned bona fide, part of my pension to my wife, and that 50 per cent is entirely, exclusively, and legally hers?

On the bare facts outlined, the whole of the pension will be treated as your own income (under section 109 of the Finance Act 1989).

## Transfer of shares

IT WOULD be tax-advantageous for me to transfer, without charge, some shares to my wife. Is it possible to do this without incurring brokers' charges, stamp duty, etc? How can I do this?

Yes: stock transfer forms are obtainable from business stations.

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WHY DOES a family of four have 15 separate accounts with seven different building societies? Is the family mad?

As the family concerned is mine (consisting of two adults and two children) I hope the following explanation will show that we are not yet crazy.

In last year's Stock Market flotation of Abbey National, one of our sons, aged 14, was given to each of its adult members who had saved at least £100 with that society. Unfortunately, we did not have an account with the Abbey National, so we did not benefit.

However, we seemed to have people (including myself) that more building societies would follow the Abbey National example. Building societies, like mutual insurance companies, are supposed to be run for the mutual benefit of their investing members. It is quite likely that a society will tempt its members to vote in favour of going public or merging with another society by providing financial incentives. Unlike companies, where the more you invest the greater the say in the voting, building society shares accounts only give one vote per account, regardless of whether there is £250 or £20,000 in it. The aim is for as many people as possible to vote, rather than those with the most money.

In Poole, Dorset, where I live, and nearby Bournemouth, there are 21 different building societies – some with many branches – all competing against each other. In times of a booming housing market, that is fine, but with the present economic climate for property it seems to me that Britain is "over-branched" with building societies and a number will be forced to merge. It therefore seemed reasonable to invest in these societies with a greater likelihood of flotation or merger, so that my family would benefit from the financial incentives likely to be offered to members to support such moves.

The prime candidates for

## Diary of a Private Investor

# The more the merrier

future flotation mentioned in the press at the time of the Abbey National flotation were National & Provincial and the Alliance & Leicester. I already had an account with the Alliance, and my wife opened an account with them last year. We each opened accounts in 1988 with National & Provincial only to be disappointed to receive a summary financial statement this month in which they announced that they were merging with the Alliance & Leicester in "April under review". It seems some way off.

Flotation is not mentioned in Alliance & Leicester's recent financial summary. However, in an insurance promotion earlier this year the society offered (and I accepted) free, for a ten-year term, accidental death insurance cover of £1,000. Last year, a new branch office of the Portman Building Society offered a free watch to anyone opening a new account.

My elder daughter has a small amount invested with

the Halifax Building Society in order to participate in its Little Xmas Club, with its free mince pies and turkey, and for a similar reason my other daughter has an account with the Woolwich.

My daughters each won a toy lion in a competition run by the Chelsea Building Society last year, and that persuaded them to open accounts with that society. I followed their example, as the Chelsea might eventually be on a merger list. For the same reason, my wife and I have recently opened accounts with the Lambeth Building Society.

Apart from extra perks that might result from mergers, there is also greater protection by spreading money around a number of societies. Investors are only protected for 90 per cent of their investment, up to £20,000 per individual per building society. While societies seem a safe investment at present, in the future a few of them may suffer the same fate as many of the savings and loan institutions in the US, where deregulation helped to make many of them go broke. I am concerned that a few societies with which I do not even have an account have sent me unsolicited mail inviting me to borrow money from them for all sorts of purposes.

Some societies are heavily involved with loss-making estate agencies or have become builders in difficulties or are lending money overseas: with falling house prices and a difficult economic situation, where is the security on a 95 per cent mortgage on a £100,000 house that might now sell for only £37,500? And what happens if, like some of the savings and loan institutions, crooks or incompetents manage to infiltrate the system? Or if property prices plummet by 30 per cent or so, as they have done in some areas of the US?

Kevin Goldstein-Jackson

"Surely the time has come for the law to be changed to impose a legal duty on the directors of building societies to report any serious merger approaches?"

### INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
<b>CLEARING BANK</b>						
High interest cheque	5.00	5.10	4.05	monthly	1	under 5,000 0-7
High interest cheque	5.20	5.30	7.05	monthly	1	5,000-9,999 0
High interest cheque	9.40	9.50	7.84	monthly	1	10,000-24,999 0
High interest cheque	9.80	10.0	8.00	monthly	1	25,000-49,999 0
High interest cheque	10.20	10.70	8.55	monthly	1	50,000 0
<b>BUILDING SOCIETY</b>						
Ordinary share	7.00	7.12	6.70	half-yearly	1	1-250,000 0
High interest access	8.00	8.03	7.30	yearly	1	800 0
High interest access	9.75	9.78	7.80	yearly	1	2,000 0
High interest access	10.25	10.28	8.20	yearly	1	5,000 0
High interest access	10.50	10.50	8.40	yearly	1	10,000 0
90-day	10.25	10.81	8.41	half-yearly	1	500-9,999 30
90-day	11.00	11.50	9.05	half-yearly	1	10,000-24,999 30
90-day	11.50	11.53	9.48	half-yearly	1	25,000 30
<b>NATIONAL SAVINGS</b>						
Investment account	11.75	8.81	7.05	yearly	2	5-25,000 1 mth
Income bonds	12.50	9.93	7.94	monthly	2	2,000-25,000 3 mths
Capital bonds	12.00	9.00	7.30	yearly	2	100 min. 3 mths
5th issue	7.50	7.50	7.50	not applica	3	25-1,000 8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month 14
General extension	5.01	5.01	5.01	not applica	3	20-200/month 8
<b>MONEY MARKET ACCOUNT</b>						
Schroder Wagg	10.47	10.99	8.79	monthly	1	2,000 0
Provincial Bank	11.05	11.58	9.27	monthly	1	1,000 0
<b>UK GOVERNMENT STOCKS</b>						
5pc Treasury 1991	14.16	12.03	10.75	half-yearly	4	- 0
5pc Treasury 1992	13.96	11.88	10.54	half-yearly	4	- 0
10.25pc Exchequer 1995	12.83	10.10	8.46	half-yearly	4	- 0
8.5pc Treasury 1994	13.18	10.95	9.46	half-yearly	4	- 0
5pc Treasury 1989	11.95	11.13	10.55	half-yearly	4	- 0
Index-linked 2pc 1982/88	10.62	10.10	9.50	half-yearly	2/4	- 0

\*Lloyds Bank/Halifax 90-day; immediate access for balances over £5,000.00. Special facility for extra £10,000. Source: Phillips and Drew. 5% assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

## Mercury offers cash unit trust

MERCURY Asset Management launched a cash unit trust this week which will invest in fixed deposits and short-term paper. It is offering 11.5 per cent net of basic rate tax, equivalent to a compound annual return of 15.2 per cent after management charges.

Mercury hopes its cash trust will appeal to non-earning wives once independent taxation begins, and to unit trust investors who want an interest-paying – if temporary – home for funds in between investing in unit trusts.

Although the cash trust will distribute income net of basic rate tax, non-taxpayers can reclaim the tax. Already, many wives have opened savings accounts which pay interest gross rather than net of Composite Rate Tax in preparation for their change in tax status on April 6.

There is an annual management fee of 0.5 per cent but no front-end charges. Minimum investment is £1,000.

Sara Webb

## MINDING YOUR OWN BUSINESS

Jane McLoughlin looks at the long, hard financial climb of a small flying school  
Up, up and away on a wing and hard work

THE STORY of Jennie Lyons' climb from Girl Friday to proprietor of Staverton Flying School reads like something out of a Neville Shute novel.

In 1970, she was working full-time at the school, keeping the books, answering the phone, and taking her pay in the form of a pilot's licence and then an instructor's licence.

She was handed over as part of the assets when the school was taken over by a company which got into financial trouble over another business interest. In 1981, the receiver was called in, and Jennie, then 27, was made redundant.

But flying addicts do not give up their obsession easily. Members urged Jennie to buy the school and keep it going. She bought her two years to run on the lease of the hangar and one airplane.

"I went to the bank. All I owned was a car. I had \$400 in the building society, plus \$200 redundancy money. But my father stood guarantee for a loan, and it was all repaid within the first two years," she says.

She and her father are now partners

in Staverton Flying Services Ltd, which leases the building and a fleet that has grown to seven airplanes over 15 years to the Flying School in which she is sole trader. During that time, she scraped together enough money to buy out her father's original partner in the limited company - "by not paying myself anything". Turnover is now \$200,000 a year, with the Flying School and its club activities accounting for \$150,000 to \$180,000 of that.

"I took over in a recession. We had one airplane, and a member of the club owned another and I paid the going hourly rate to use it. It was a dreadful time, but being made redundant meant it was now or never."

There was tremendous support from the members. "When I took over, on Friday February 13th 1981, all the annual membership fees were due. I had 100 in the first week, which at £20 a time meant I started with a good cash flow position. And people came in with old carpets and even a sink." She employs three full-time and three part-time instructors, and a secretary.

The annual wages bill, plus National Insurance, is \$43,500. She takes out a salary of between \$8,000 and \$10,000 for herself.

The next biggest outgoing is on fuel, at \$22,000 last year. We pay £2.71 a gallon. Maintenance on the airplanes, which is done by a specialist company on the airfield, is \$30,000 a year. Land-lease fees come to £15,000.

Basic income comes from the \$30 annual subscriptions from 280 members, and from flight training charges. She is determined to keep these below £70 an hour until next year. This compares with at least £100 in the London area.

"We are two minutes from the motorway, and our catchment area is very wide - not just wealthy people in the Cotswolds, but Bristol, Birmingham and Swindon."

Flying is a volatile industry. There have been several good years, but the competition has become fierce. When Jennie Lyons took over her flying school, she had one rival operating out of Staverton airfield. Now there are

five altogether. "It's still a wing and prayer business. I don't expect 100 per cent security. I'm sometimes accused of being over-cautious, because where other people have expanded, I consolidate. But I can sleep at night."

Achieving financial independence is a matter of pride.

She owns the seven airplanes outright, by dint of ploughing back money into the business. Last year was an excellent one, and the results can be seen in a new extension to the hangar building which cost her £10,000.

Now money is becoming tight. Business flying is on the increase, and 1992 may boost that, but demand has created more competition.

"In this business, you make a lot of money in summer, and you lose a lot in winter. It's what you make in spring and autumn which decides whether or not there's going to be any cream," says Jennie.

Staverton Flying School, Staverton Airport, Cheltenham, Glos Tel: 0453-712388



Flying high: Jennie Lyons with one of her fleet of seven airplanes at Staverton airfield

Tony Anderson

THE ORIGINAL customers of the Eagle pub in London, the tailors who went up and down the City Road to pop (or pawn) their wensels (irons), could hardly have imagined pawnbroking would be part of its long-term gentrification.

Not that a pop shop is quite the right image for the London Pledge Company, which has converted an old bank at the top end of City Road into an asset-based loan company.

The three gold balls, the traditional pawnbrokers' symbols, hang outside and are engraved in the frosted glass like musical notes. The old Ferrari parked on the corner or the odd stripe-suited City man hurrying in with a Reynolds painting under his arm are the only outward signs of the changing times in pawnbroking.

Neil Charles and his partner and long-standing friend, Stephen Squires are giving judicial consideration to a loan of £1m on a 285-carat white diamond worth £4.5m. They loaned \$100,000 on the Ferrari, and \$80,000 on a Joshua Reynolds painting. Someone hooked a helicopter, someone else a vintage Fackelberg car.

Undereamed assets represent only about 7 per cent of turnover. "We've never been left with Ferraris or a Reynolds painting. If we're left with anything it's executive cars like BMWs or Jaggs," says Charles.

They have been in the up-

## Pop goes the Ferrari



Neil Charles of the London Pledge Company

market pawn business since April 1983. Both had experience in the trade. Squires worked in bullion and scrap metal, Charles specialised in the music industry.

"We saw a hole in the market between banks and building societies, when somebody has the collateral, but can't get the money at once from banks. The financial institutions have made it more difficult to get large amounts of money

quickly. It's easy enough for small credits, but not to get \$20,000 - \$30,000," he says.

They found this for themselves when they tried to raise the money to set up the business. "It cost something like \$70,000, which will be repaid over the next few years. But it was Squires' family money. We had the same trouble as anyone else with the banks wanting security. We got a long lease on the premises for

\$35,000, on the basis that we paid for the renovations."

Turnover for the first year will be £1m, and they estimate this will rise 50 per cent in the second year. Loans outstanding on the pawnbook represent about \$500,000 at any one time. "We pay ourselves very small salaries," Charles says.

There's a group of coffee-table style books on antiques and valuables on a shelf in the office, but they do go to Christie's or Sotheby's for independent valuations on the rare occasions when they are in doubt. With silver or gold, valuation is on weight, and jewellery's worth is assessed on the quality of the stone and the weight of the metal.

They charge a 4 per cent arrangement fee on a loan, and then 1 per cent a week interest. The average loan is for six months. If the contract is not renewed then, the asset is sold by auction or private treaty.

"We don't do any retail trade. We concentrate on the space in the market for lending money. This business is getting more acceptable nowadays, when a lot of people need money very quickly. Most pawnbrokers will deal only in jewellery or silverware, not in the sort of things we specialise

in, like fine art and antique furniture. We've even looked at property, but it's too difficult to register charges against it."

Charles puts the growth in demand for a business lending on up-market pledges down to mortgage rates. "And people take more financial chances than they used to, buying something and hoping it will go up in value. Then they need to find mortgage repayments - and it would take them weeks to get the money from selling the Joshua Reynolds or liquidating £15,000 on their Victoria Cross. They already have regular customers, and the pledges too, may respect."

"I've got a friend who's a pawnbroker in Birmingham, and this old lady used to come in every day with her iron in a box to pawn, and then get it back next day. One day she didn't come back for it, and when they looked in the box, there was an old prick in it." Neil Charles laughs at that, but somehow he does it so that you know he would never be caught by such a trick.

"I don't get involved emotionally," he says. "And no, I don't cover any of the things. At the end of the day, they're all assets."

## Blueprint for conservation

ORAN CAMPBELL'S architectural career has been a series of experiments in ways of making conservation pay. At English Heritage, he learned the asset value of historical importance by diversifying into commercial by-products.

He was answerable to the Department of the Environment and laboured under traditional blueprints which treated the preservation of an ancient flintwork on exactly the same basis as an airport runway. In private practice, he found that financial survival could conflict with preservationist principles.

Now he thinks he has evolved the best possible compromise. Under the umbrella of Broadway Malpas, one of the largest architectural practices in the UK, he is setting up a financially discrete federal-style company specialising in conservation.

Several federated companies already operate within Broadway Malpas, including landscape architects, planners, and interior designers. The services of these, and the purist architectural expertise of the central practice, can be hired on a consultancy basis in-house.

"Starting this month, our books will be separately run, and we are financially independent," says Campbell. "I expect we will break even in the first year, and I hope make a reasonable profit. But at least I'm confident we will wash our faces financially."

His quotes one case as the sort of thing the ethical architect can be up against. "This involved a block on a London shopping street with a good quality Portland stone facade. We wanted to retain it, but the client's agents said they would save £2.5m on the scheme to knock it down and start again, because VAT was charged on rebuilding as repairs, but new building was zero rated."

But the climate of concern over the environ-

ment is changing attitudes. The VAT regulations, for instance, have been adapted. But there is still a powerful public perception that commerce and conservation are mutually exclusive, which Campbell believes is wrong.

"In the 1960s, a lot of us were worried by huge housing schemes after the War. We were told to shut up, because people needed cheap housing. We went to the sociologists, but they were concerned with economics. We went to psychologists, who agreed something should be done, but approached the environment as something only dealt with by isolating it into small bits."

"At least recent development legislation means that the people in a community can make themselves heard, and talk back to architects." He believes a small, federated company within a large corporate resource centre offers peripheral specialisation in-house, gives greater scope in picking and choosing work - a client he cannot suit can be redirected within the practice, and provides a family-sized team which promotes a close working relationship.

Campbell sees no problem in proving that the conservationist approach to architecture can save the client money. "They've got into a way of thinking with new buildings, and they tend to look at the old as an obstruction to development. We look at ways to make them see the old building as part of the new life. In a new building, they would be in the middle. In an old one, it's a good idea to put them in the back extension - and that's cheaper."

Oran Campbell, Broadway Malpas, 3 Waybridge Business Park, Waybridge, Surrey; 0832-945599

J.M.

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PERSPECTIVES

# Europe's last Wall still stands in a city divided

THE 20 ft-high barrier of concrete and reinforced steel zig zags its way through housing estates, churches, factories, dividing whole communities. Smeared with slogans, monitored by the security forces, it is the last solid wall in a Europe of crumbling divides.

No-one tries to escape from this wall, no-one is in a hurry to pull it down; indeed, parts of it are still being built. There is no place here near it for souvenir hunters. This is the Belfast Wall. It is a less well-known piece of political masonry than Berlin's, but in the closing decade of the 20th century the Belfast Wall shows no sign of meeting the same fate as its Cold War parent.

Cupar Street, West Belfast: the 20 ft wall, topped by a steel palisade, rises above a plot of wasteland. On one side the wall is smudged red with paint bombs, the names "Kid, Stevie, and Joe," and IRA slogans. On the other it bears the legend: "This is a loyalist controlled area," the names "Darren, Janice, Glenn." A Union Jack is flying from the roof of a three-storey council house. In the wall is a single iron door where the concrete has been blanketed by fire. It is firmly bolted.

Whole areas of Belfast, mainly populated by low-income families and small shopkeepers - live under the shadow of walls such as this. The Cupar Street interface is particularly striking because of its size and length. Twelve other, smaller barriers have been built around the city. They include brick walls, barbed wire and iron fences, and they affect up to a quarter of the 300,000-strong population.

Such an image may seem out of step with the Europe of the 1990s. But as the season of Belfast political marches gets under way with the traditional Easter parade, this urban mosaic of "peace lines" remains the most poignant symbol of Northern Ireland's tragic, seemingly insoluble divisions.

Sectarianism is not a recent phenomenon in Belfast. History - of which the people of Northern Ireland are extremely conscious - records instances of inter-community violence between Catholics and Protestants throughout the 19th and the early 20th century.

Marie Logan, a Belfast community assistant who lives on the Protestant side of Cupar Street's "peace-line," just off the Shankill Road, recalls how

her life changed the day sectarian violence broke out again 21 years ago. "I remember when the first shots were fired from the direction of Cupar Street. It was a Thursday. At that stage, I thought it would be over in a couple of days. Then the soldiers started putting up the corrugated iron and fencing. I was stunned then. But now, with all the killings, barriers are necessary."

Marie, who was born on the Shankill Road, remembers only a brief childhood in which "every street had its own social worker or midwife, everyone lived as neighbours and for a while no-one bothered to ask about your religion." Now, Marie never dares venture into the Catholic quarter. "That wall is a reminder that we are in a no-win situation. If it was brought down, we would have easier access to the other side, but then the killings would be stepped up again," she says.

**Jimmy Burns reports from the front line of Belfast's sectarian divide, where Catholics and Protestants are split by barriers mental and physical**

Her 15-year-old daughter Nina is even more sceptical, pointing out that while the wall may have reduced the number of sectarian killings, it has not stopped stones and paint bombs being thrown by Catholics at her neighbourhood, nor the underlying prejudice her community feels against the other. "I'm not bigoted. But there are people round here who don't want me to bring back a Catholic friend from school because they think she might try and ruin her views down our streets."

A few doors down the street and on the same side of the wall, Nina Wardle is taking a day's rest which she feels she has to take periodically for the sake of her sanity. Even by the standards of Northern Ireland, Nina Wardle's personal history has been painful. Her nightmare began in January 1975 when she was assaulted and injured by armed robbers. A month later her local supermarket was bombed by terrorists. In 1978 her house was burgled, and her shop three times. In October 1979, a taxi driver was murdered outside her front door. She treated six injured passengers and tended the dying driver before the ambulance arrived. That night she received a death threat from the IRA.

In 1980, she took a new job as a shop manager only to fall victim to another armed robbery. Since then she has suffered a third armed robbery and two car burglaries. Once a week now she attends a group therapy session with 50 other local women suffering from severe stress and apathy. In her view, the existence of walls in Belfast has become a "state of mind."

Wardle works as a counsellor with the Shankill Road Activity Centre, where local volunteers are trying to reconcile the warring communities through the use of "mixed workshops."

"Some people get excited about the impact 1992 will have on this area. But I don't think there is going to be much movement... we're starting to get to know each other, but it is still going to take hard work and a lot of heartbreak. Every time someone is mur-

dered, another person drops out of the workshop," she says. Wardle's work colleague is Augustus "Gusty" Spence, another personification of the limits of change in Northern Ireland. Spence was released from prison in 1984 after serving 18½ years of a life sentence in connection with the shooting of a young Catholic barman at a nearby pub. He admits he was a member of the UVF, the illegal paramilitary group, but still denies strongly that he murdered the barman and says he is now publicly opposed to violence.

Sitting in his cramped office in the Shankill road - the same area where the barman was shot - Spence explains why so many people in Belfast still choose to live behind walls. "It's a matter of fear, people stay within their own area. We are living in a society which has never been normal." Ten blocks away, Colette McFerran believes she has already paid the price of being a Catholic in Protestant-dominated Northern Ireland. In March her local councillor, Mary Muldoon, of the non-violent SDLP party, was questioned on her doorstep by a heavily-armed British soldier, while a second crouched and pointed his gun in the direction of the two women.

This was not the first time this particular Catholic neighbourhood considered itself unjustly harassed by the British army. For Colette the memory of British soldiers being welcomed with cups of tea in the Falls Road soon after the troubles broke out in 1969 has been overshadowed by more recent experiences.

"Six months ago, we were all in bed when there was this banging on the door... there were three soldiers... they were either drunk or high on something... they pulled out the flowers in our garden, smashed two pots, and pulled stones from the rocker... they called us Irish sluts. In the 19 years we've lived here, no-one has ever wrecked the garden."

Colette - who votes for the SDLP and not for Sinn Féin, the political wing of the IRA - lives with her mother and young daughter in Cupar Street. The wall is visible at the end of two lines of recently-built terraced houses which have replaced those bulldozed by developers or burnt in riotous fires. There is a segment of the wall just outside Colette's kitchen window. It blocks out all natural light. There are no Union Jacks here, only statues of Christ and the Virgin Mary. Colette remembers watching the wall being built in the TV newsreel images of the Berlin wall being broken down last year - it was a "beautiful thing to watch happen." And yet she not only doesn't want the Belfast wall to come down, she wants another one put up in the adjoining street.

A few days before we met in early March, a Catholic man was shot dead by loyalist gunmen as he worked on his car in a nearby street. The gunmen stoned a police car, drove by driving round the block and up an adjoining street known as Lankar Way before abandoning their car and escaping into the Protestant Shankill area.

This was the fifth such sectarian killing in the area in as many years. Colette says she is a local Catholic resident, a situation which has been pressing the authorities to put up a new "peace line" across Lankar Way. "What we want is either gates or a wall right across the road. We don't want the road as it is any more. We want these killings stopped."

While the Catholics in the area demand another barrier, Protestants insist that Lankar Way is the one road in the area that should remain open so as to allow ambulances and fire engines easy access to the loyalist heartland of the Shankill.



The Wall still stands... and even younger Catholics and Protestants want it to stay that way

In the event of an emergency, there has been no meeting of minds.

"The only certainty is that the Northern Ireland troubles have spurred a political and socio-economic logic that, in the context of Europe, seems increasingly illogical."

Questioned about the "peace lines," one senior officer of the Royal Ulster Constabulary said that they would remain "as long as the community wanted them to." In Lankar Way, the introduction of temporary security barriers has not been ruled out. Among the local councillors the only common statement of opinion was that the "peace lines" were a "necessary evil."

Ivan Maginnis is an official with Northern Ireland's Housing Executive, which has a statutory obligation to help improve housing conditions in the province. However, as Maginnis is the first to admit, the political situation in Belfast - which has seen the biggest internal migration of any community since the Second World War - has ridden roughshod over any contemporary notions of urban development.

"This is a city in which territoriality impinges on the urban renewal process... both sides have aspirations to hang on to their territory or expand. What neither side wants to do is cede their ground," Maginnis believes that the "peace lines"

that straddle the Protestant and Catholic enclaves of West and North Belfast are a contradiction in terms. As testified by residents, these barriers are often characterised not by peace and harmony between neighbours, but by conflict and continuing instability.

Recently, new "environment-friendly" peace lines have been introduced around Belfast. Instead of the concrete and steel palisades, some streets now have ornately patterned brick walls lined with landscaped gardens. In other areas, the Executive is creating an "environmental barrier" - a fenced-off "green" buffer zone on which neither Catholics nor Protestants will be allowed to tread.

## Despatches

### Where Stalin lives on

AT THE Kakavia border post, a gap in the mountains where Greece and Albania meet, half a dozen Greek conscripts in camouflage T-shirts are kicking a football around on a warm afternoon. On the other side of the barrier an over-coated Albanian soldier, Second World War rifle slung over his shoulder, looks on enviously. "We'd like to get together sometimes but they never speak to us," says one of the Greeks.

Names are called out and we walk into Shqipëria ("Albania") a Western alternative) one by one, followed by the bus. It is hard to conceal a feeling of illicit delight at entering this sealed corner of Europe where Stalinism still flourishes.

Two hours away, over a twisting road, lies the seaside town of Saranda. This is the Albanian Riviera complete with palm trees lining the promenade and new apartment blocks. But the searchlights sweeping the dark bay strike a disconcerting note. They are there to discourage people from trying to swim to Corfu, six miles away.

Inside the Hotel Buitrint, though, the mood is cheerful. A group of North Koreans and a local volleyball team in Cambridge-blue blazers are crowding the lobby. The Securitate, the ever-present security police, lounge in armchairs by the entrance. The unforgettable smell of an Albanian hotel - a mixture of fried onions, fresh varnish and strong Balkan tobacco - wafts past the rubber plants.

An Orwellian sense of being watched constantly is part of any trip to Albania. But tourists are no longer scrutinised with open hostility by the likely forerunners of a foreign invasion, or lectured on the achievements of the world's only true socialist state. In the five years since the death of Enver Hoxha, who shut off Albania from the rest of Europe back in 1968, reality has started to creep in. This is largely because under his successor, Ramiz Alia, you can watch foreign television - Greek, Italian or Yugoslav - without worrying that the neighbours will denounce you to the Securitate.

Everyone knows that the revisionist regimes of eastern Europe have collapsed but the high school students bursting to practise their English - and BBC World Service accents - want to discuss the ethnic Albanian minority's troubles in Kosovo. Next comes rock music and Margaret Thatcher's future. Try asking about the possibility of reform in Albania, or of travelling abroad, and faces turn blank. The party line is rehearsed: Albania is not like the rest of Europe... perhaps some of us will study in France or Sweden, but not everybody can go abroad yet.

Comrade Enver's presence still looms in the form of an overpowering personality cult. In the centre of Tirana, the capital, his striding bronze figure dominates Skenderbeg Square. Down the road is a tepee-shaped building in shiny marble, the Hoxha Museum, designed by his daughter, who is Albania's leading architect. Its towering galleries are stuffed with blown-up photographs of Hoxha from student days at Montpellier in France and the years of resistance against Italian and Nazi occupation, together with personal memorabilia: hats, pens, even shoes. Videotapes of an elderly Hoxha are played incessantly. But there is nothing to explain why he insisted on shutting out the second half of the 20th century. The joke in Tirana is that when change finally arrives, the Hoxha museum will become Albania's first discotheque. Even then, it could take time before the eccentricities disappear, such as the ban on religion, private cars and beards. The Catholic cathedral in Tirana serves as a cinema. A mosque survives as a museum, a reminder that Albania was the last Ottoman imperial possession to win independence and the only Moslem nation in Europe.

Leather jackets and jeans are worn with pride in Tirana, but there is not a trace of designer stubble to be seen. Gillette blades and sought-after luxuries and the livestock shops are the barbers. "Girls don't like men with so much hair," says Robert, a handsome, cynical black marketer who lurks in Skenderbeg Square after dark. He is keen to acquire any spare clothes we have but would prefer our underwear. It must be a sign of the times that socialist puritanism is making way for the entrepreneurial spirit.

Kerin Hope

## Detective to the Tsars

Jean Marsh on the man who unravelled the murder of the Romanovs and the six volumes of evidence he left behind



Imperial family: The Tsar with (from left) Prince Nikita, Grand Duchess Tatiana and the Tsarevitch

ON THE night of July 29 1918 (July 16 in the old Russian calendar) the Russian Imperial family - Tsar Nicholas II, his tsarina and their five children, aged between 14 and 23 - were shot by Bolsheviks in the cellar of a house in Ekaterinburg in the Urals.

Ekaterinburg was on the point of falling into the hands of the White troops, and the executions were carried out in haste. Every effort was made to conceal the evidence; however, the bodies were destroyed with fire and sulphuric acid and the remains thrown into an old mine shaft. When, nine days after the event, Moscow officially announced the execution of the tsar, it was still alleged that the rest of the family had been evacuated to safety.

A few days after the murder, the Whites recaptured Ekaterinburg. They found a double stockade around the large house commandeered from the merchant Nikolai Ipatiev and given the sinister name of "The House of Special Purpose." Here the Imperial family had been imprisoned from April, when they were brought from Tobolsk in Siberia, until the murders.

Initially the house was open to search but then it was sealed and the White authorities ordered an investigation. After half-hearted efforts by the local court officials, the commander-in-chief, General Kolchak, appointed a modest young leader, Nikolai Alekseyevich Sokolov, to undertake the inquiry.

Nine 72 years after the killings, a stack of papers from the large archive that Sokolov accumulated in the course of his investigations has re-emerged. This dossier is to be sold by Sotheby's on April 5, and may realise more than £500,000.

Sokolov was indefatigable, continuing his detective work even when the Red Army was again at the gates of Ekaterinburg. His evidence eventually filled six volumes. It included interviews with captured guards from "The House of Special Purpose," and many local peasants. His most important find was a file

of copy telegrams overlooked in the local telegraph office. Sokolov recognised that the most significant of these was one sent to the Kremlin by the secretary of the local Soviet at 9 pm on the day after the murder.

It was written in a code so impenetrable that it was two years before Sokolov found an expert able to decipher the message: "Tell Sverdlov the entire family suffered the same fate as its head"

Sverdlov, the chairman of the Central Committee, controlled the Cheka - forerunner of the KGB - and was one of Lenin's closest associates. The remarkable document - the original remains in the Sokolov archive - proves that the Bolshevik leaders were fully informed of the events in Ekaterinburg (which ironically was later renamed Sverdlovsk).

Official records of telephone calls also show that Sverdlov had spoken, both before and after the event, to the local secretary and to the killer himself. This man, as Sokolov established, was a watchmaker called Yemel Yurovsky, who was put in command of "The House of Special Purpose," and himself fired the shots which killed the tsar and tsarina.

Central to the archive are the six volumes of evidence, illustrated with detailed plans and photographs of the house, including the bullet-riddled cellar.

There are also the telegrams from the Ekaterinburg telegraph office, records of telephone conversations, pay sheets for the guards even the steamship bills for the transport of the Romanovs to their last lodging.

There is a scrap of wallpaper from the basement room where the family were shot, on which someone - presumably one of the victims - had

scribbled in German a line from Heine: "In that very night Belshazzar was murdered by his slaves".

More gruesome is the order for large quantities of sulphuric acid, for the destruction of the bodies.

Sokolov was an industrious detective. The archive includes fragments of egg-shell found in the grass near the spot where the royal remains were hidden. He concluded that these came from eggs brought for the family by nuns, but purloined by the assassins, who ate them.

Nearly by the grass Sokolov also found pages torn from a medical textbook, and quite clearly used as makeshift toilet paper by someone in a hurry. He reasoned that the only person likely to be carrying such a book was the murderer Yurovsky, who had previously worked as a medical attendant.

The whole archive provides a peculiarly vivid evocation of the atmosphere and the people involved in this dreadful and extraordinary event. It is clear that the local men like Yurovsky simply did what was expected of them, though many had memories of tsarist prisons, and were spurred by a thirst for revenge.

In Moscow, Lenin, Sverdlov and the rest wanted the Romanovs out of the way so that they should not be (in words attributed to Lenin by Trotsky) "a living banner in these difficult circumstances." Yet the evidence of official deceit and prevarication shows how intimidated they were by the religious awe in which a large part of the Russian people still held the Imperial family.

Even after he published the main findings of his investigation in France in 1920, Sokolov obsessively continued his task. In exile, he was supported by the young Prince Orlov, lined descendant of the favourite of Catherine the Great.

After Sokolov's death in 1924, from stress and overwork, the archive passed to Orlov, who was later to act as interpreter on Khrushchev's 1959 visit to the United States. Orlov died in 1961, and the archive is being sold by one of his descendants.

Continued from Page 1  
by the standards of contemporary "non-realist" theologians. Don Cupitt, Dean of Emmanuel College, Cambridge, argues that religious beliefs, understood as involving supernatural beings, powers and events, are "manifestly false." In the *Sea of Faith* he writes: "Just as you should not think of justice and truth as independent beings, so you should not think of God as an objectively existing superperson." The idea of God is imperative, not indicative. To one who has become a Christian, he argues, the

## The search for religion in the modern age

thought of life after death is a symptom of lack of faith, for faith says to him: "If you cannot do it now you will never do it; so forget about life after death and live your eternal life now." Christian life is "life after life after death." Eschatological thoughts have no other function than "to remind us that our lives are finite."

Such an interpretation of religion will be deeply shocking to evangelical Christians. The academic and author C.S. Lewis, after all, once depicted Jesus as a real man at the end of a rope pulling us to salvation. The concept of God as a Heavenly Father is deeply entrenched. For some this is undoubtedly a helpful image; but many in the late 20th century will respond more readily to a subtler kind of faith.

Traditional religions, says Peter Clarke, at King's College, are in structural decline because they have been unable to adapt to changes in the nature of society; they no longer offer the kind of spiritual support required by the majority. Some of the new religious movements, such as forms of Japanese Buddhism, are perhaps successful on a small scale because they cater better for modern needs. For example, Clarke points out that they offer "meditational techniques to combat the stress of modern life." The emphasis is less on doctrine than on the practical virtues of the faith. "It's a case

of if it works, it's true." Old-style faiths, he says, are beginning to adopt mystical and meditative techniques. They are thinking harder about how they can appear relevant and add value to people's lives. But empty pews and archaic forms of worship suggest the established churches are still not facing up to the need for radical changes.

Religion and science, contrary to the fears of some Victorians, are not necessarily incompatible. But many people appear to retain an outdated concept of what religious faith means. How many lapsed Anglicans, for example, realise that it is possible to be a committed Christian yet not regard God as an objective external reality? How many atheists are aware of the practical benefits of meditation or the attractions of non-theistic faiths? If and when the big religions begin to market their wares properly, a significant

revival may be possible. Perhaps the biggest stumbling block is the denial of the self required by many (if not all) faiths. After all, the lesson taught by resurgent liberal capitalism is that life's main purpose is to satisfy the ego's materialistic cravings. "Me, now" is a deeply entrenched assumption. It takes a certain detachment, rarely achieved early in life, to recognise the limitations of this philosophy. This is not a religious age, but religions which find modern and attractive methods of conveying their message may still have a bright future.

# Property

## Healthy profits down on the farm

John Brennan analyses the continued growth in properties for would-be country squires

TWO COLLIDING forces enabled the residential farm to "arrive" as a social phenomenon in the 1980s. It is a tale of cash and confidence, both available in excess. The cash poured into country properties from town and suburban homeowners in the south east of England who found that they were able to trade a normal family home for a farmhouse and several acres. It also poured in from the Thatcherite entrepreneurs, those who rode the small and medium business boom of the decade and who could take full benefit of the tax cuts, market de-regulations and competitive market for credit to encash their winnings with ease. The notion of a cauliflower mountain merely represents the parallel decline in agricultural fortunes.

As the queue of would-be country squires expanded into a commuter army of cash buyers, the long-protected farm industry wilted under the chill winds of competition from Brussels and beyond. Farmers lost both the subsidy cushion that had become the industry's best-kept secret as well as the political clout to keep the countryside fenced for their use. The price differential between working farms and those with residential and amenity value, expanded month by month through the 1980s. And while the progressive transformation of smaller and therefore commercial marginal farms into mini-residential estates has been put on hold by the trading famine in the residential property market, there is no sign of that price differential being eroded.

At the start of the 1990s a couple of market studies give a flavour of the times. On the tricky subject of purchase timing, Martin Lamb of Jackson Stope & Stope, Exeter office tells of a residential farm buyer who is being squeezed from the countryside by events. It is 18 months since this buyer outbid the competition for a run-down Georgian house set in the kind of classic 50-acre mini-farm that attracts both town dwellers with a dream of country living and retiring real farmers to South Devon.

In this case, the new owner set the builders working on £100,000 to £150,000's worth of improvements to the Devon house. He could watch those costs with equanimity since the resale price of his own home in the Home Counties continued to rise faster than the financing and reconstruction of the new one. It was an elegant equation, but you can guess the punch line.

In the Miesowish logic of the times, financing costs up, resale prices down, results murky. Hanging on for the rise in the Home Counties meant staying in for the fall. So now the works on the Devon house will be completed and the property



Grade II-listed Sotton Manor Farmhouse is a five-bed main house with substantial outbuildings in a 225-acre, mainly Grade II quality arable farm three miles north east of Dover, Kent. Cartons' Canterbury office (0227-357441) has listed

the farm into seven units, with a £360,000 guide price on the farmhouse and a further £250,000 for the outbuildings and paddocks plus a two-bedroom cottage. The farmland makes up the balance of a £1m price tag for the estate.

put on the market. It should attract one of the still numerous cash buyers who have been circling the country property market for the past year looking for just the right place, and in no mad rush to find it while prices slide and the interest paid on their cash pile has kept rising.

"It is an awful situation," says Lamb, "but then I look back now on 1988 with horror; it was like dealing in Lira. At least now a realistic valuation means something again, even if it does involve telling people that the place they bought a year or two ago, and where they have spent money, is now worth no more than they paid for it."

At least that reflects the continued competitive demand for the better residential farms. But the days when a few dozen acres of scrubland and rusting farm machinery around an ugly house also would attract enough prospective buyers to justify sales by tender are, for the present, a fading memory.

There may be an element of whistling to keep up the spirits in the land agents' talk of continued strong interest in residential farms. But the price differential between purely commercial farms and those where the residential element is the primary attraction does seem to be holding firm. The MAFF/Strutt & Parker Land Index

shows a trend in farmland values with commercial farms up 11 per cent since the end of 1988, compared with a two-fold increase in the average price paid for residential farms in the same period. As the report notes, on the basis of sales in 1988: "Once again properties classified as residential" led the field with an average price of £4,685 an acre, roughly double the price of arable farms.

This residential premium does, however, stand against a farmland market where, as the agents say: "The failure of farm land prices to sustain the rise of the earlier months of 1989... suggests an average price for 1989 in the order of £2,430 an acre." That would mean "the price of farm land in 1989 will prove to be lower in real terms than it was in 1978, 1979 or 1980."

A section of those indifferent to the crop value of cauliflower or wheat are identified by Knight Frank & Rutley in their crystal gazing into the '90s. Having passed through a period when the market was moving so fast that, in KF & R's words, "estate agents stood awkwardly between buyers who were becoming increasingly irritated and depressed and vendors who were becoming either bewildered or greedy," the firm sees no reversal in the wish to swap town for country.

"The finite supply of the very best period properties will," it believes, "ensure a continuance of a two-tiered market with the upper end governed by conditions that do not apply to the rest of the sector. Lower down the price scale people are still looking for principal or second homes in the country and trying to establish new lives away from the south east. If the '80s have done anything they have engendered a particular pattern of aspiration among young people in which country life and pursuits loom large. This trend looks set to continue in the '90s, but dramatic increases in personal taxation or the introduction of a tax on second homes that is likely to be brought about by a change of government."

The commercial expansion of areas such as Exeter show what happens when commuters move their business as well as their home. But a fair number of the long-distance commuters who bought several counties away from their office seem to be edging back closer to work. A four-day week and time for reflection are the children of a positive cashflow. When the business climate is less benign the demands of running a company outweigh the opportunities to get away. London agents see part of the continued heavy



Above: Castings Hall, a six-bedroom manor and 420-acre South Suffolk farm. Agents William H. Brown, in Sudbury (0787-72247) were offered a cheque for the £1.2m asking price. Below: for the more ambitious restorer, R C Knight & Son in Stowmarket (0448-612884) has

the Oak Farmhouse at Mendlesham, which is in need of total renovation. The house, in two acres of ground, will be offered for sale by public auction in May unless a private sale is achieved before then. The agent's guide price ranges from £125,000 to £150,000.

demand for good, central area family houses as coming from people trading out of the flat-in-town-house-in-country. Such arrangements become a potent cocktail for divorce when the flat that is convenient for the office starts being used every day. Those moving against the tide and back into London still pass a host of would-be country dwellers on route. The Sudbury office of William H Brown provides a solid example of the pattern of buying interest in residential farms with its sale of Castings Hall, in South Suffolk.

The 420-acre arable farm, with wood and pasture land, is centred on a six bed, timber framed manor house. Within a fort-

night of being put on the market with a guide price of £1.2m the agents had 180 enquiries to sift. Some 54 per cent of those were from non-farmers, and in the final run of 26 viewers, 21 were non-farmers, only four coming from a traditional agricultural background.

Richard Kinsley, who was handling the sale for William H. Brown, reports that most of the non-farmer applicants had cash from property deals, with some industrial money. Whatever its source: "The availability of liquid funds for such a purchase is staggering. We have been offered a cheque for the £1.2m asking price on the spot."

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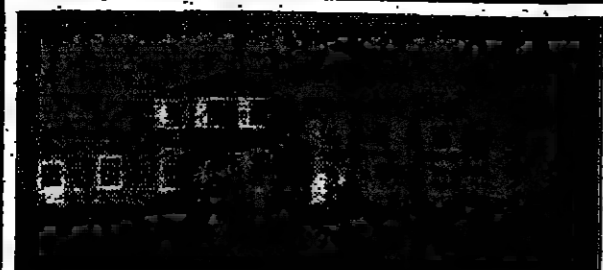
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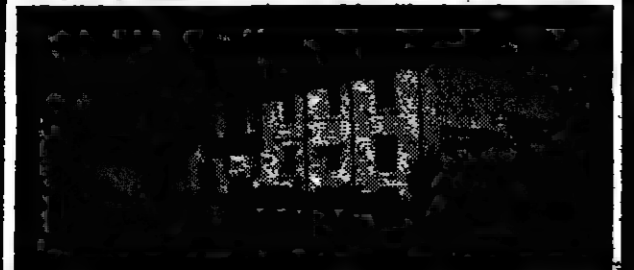
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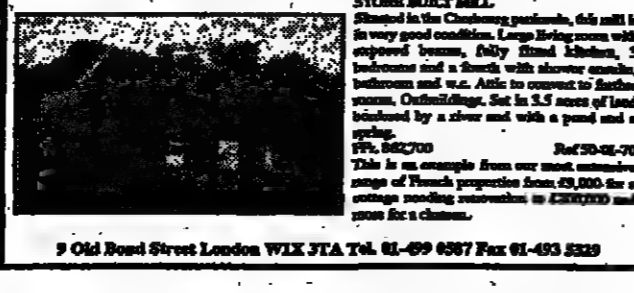


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## TRAVEL

## Real capitalists love Singapore

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SOMEDAY, perhaps, all cities will be like Singapore. Someday, perhaps, they may have to be, if cities are not to collapse under the weight of crumbling infrastructure and social malaise.

Singapore is a capitalist capital, the work ethic made flesh, or rather steel and glass. It is the city as conglomerate. Everything works. Everything runs on time. Everything is taken care of, and everything comes to him who buys. And everything can be bought, everything can be sold. Everything is available; nothing, it seems, is impossible.

And there is a price to pay for everything. "Singapore is a fine city, and a city of fines," smiles our tour leader, the lovely Hamidah, a Malay with cheekbones so high they appear to meet on the top of her head.

All cities have bylaws, but in Singapore they are adhered to with missionary zeal. It is a small place, you see, just 710 sq km with a mixed population of 2.7m, and a small, crowded place cannot afford to accommodate litterbugs, vandals, drug pushers, jaywalkers; not if the rest of its people are to survive and prosper. And so, from cradle to grave, the average Singaporean is guided by, housed by, educated by, advised by, sometimes punished by, an organisation that touches almost every facet of life: the People's Action Party under the long-lasting premiership of Lee Kuan Yew.

Al-Ha, nods the cynic. The city as a corrective institution. Do as I say, not as I do. Big Brother is watching. Yet, Singaporeans seem too busy prospering to waste time on such suspicions. "Sure, there are fines," they smile. "But there are fines in your country, too. Our city is clean. We have good schools, good housing, superb public transport. Look at our modern buildings, healthy children, lack of visible poverty, safe streets, glittering hotels and shopping centres. Perhaps our press treats us badly. But look at our record of economic growth and success. Look at our mix of races living in harmony in pursuit of profit for the common good. Look at us. We are Singaporeans."

It was Raffles, Sir Thomas Stamford, a diplomat-adventurer in the

grand mode, who in 1819 chose the island as British maritime base, split the port into four quarters to avoid inter-race strife and swung a treaty with the Sultan of Johore — so slanted in favour of British interests it would make a Foreign Office mandarin blush. The free port of Singapore prospered mightily. After the Japanese occupation during the Second World War a new generation of Singaporeans demanded — and received — self-determination, and in 1965 the independent republic was born. It has been striking progress fully ahead ever since.

Singapore City still retains the old "quarantined" feel, although the gleaming business district is crisscrossing over larger areas of history. The Chinese make up 75 per cent of the population and the Chinatown quarter is the most interesting area.

Andrew Anderson visits a fine city... and a city of fines

Narrow streets hum with the mechanics of commerce. Behind faded wooden doors ancient apothecaries with no teeth dispense their potent elixirs. Dried bird, egg, pickled in horse urine. Stacks of bright porcelain totter among Boussai trees, paper sunshades, boxes of dried fish, mounds of spices, bits of brown paper, calligraphic paraphernalia and clothing of every hue.

The Chinese heart market is not far from the waterfront. Anything that walks, crawls, swims or flies is fair game for the dinner plate. A sweating Chinese man carries a large, flapping fish along the floor, periodically whacking it about the head with a rolling pin. Frogs squat morosely in buckets while their fate is plotted on an abacus. Large, unidentifiable lumps of meat lie everywhere. At one stall dozens of turtles, neatly twisted in half, bubble bloodily in their shells. In the background, a dark figure with a cleaver is doing something terrible to a dead chicken.

One street is devoted to death, a serious business in Chinatown. At the crematorium, mourners burn paper money and fake credit cards — "Bank of Heaven" — to smooth the path for the dear departed. Even replica Mercedes cars are burned to speed the soul down the highway to salvation. One old lady died while watching her favourite Chinese soap opera;

undaunted, her relatives burnt a paper television set so she could pick up the series on the Other Side. Above the wet market is the modern Chinatown. Electronic goods are crammed in hole-in-the-wall stalls, cheap shirts hang off every wall. The Government has clamped down on the "baker" industry, but one can still buy a "Lacoste" T-shirt or a false Rolex. Good or Dunhill watch for about \$30. From experience, these last 13 minutes and 12 seconds.

Another quarter, Little India, meanders down the length of Serangoon Road and does a fair impression of Bombay (the better bits). The market here makes Chinatown's look like a Sunday's. One can wander through the temples with impunity — and no shoes — admiring the fixed grins on the faces of the idols, or eat curry for breakfast at the myriad restaurants. Bells of saffron cost a few dollars this way; one of Singapore's famous tailors can whip up a jacket or skirt in a couple of days — usually.

In Little India we meet the plump, cheerful and delightful Mrs. Kalimuthu, who was to demonstrate Indian cooking. In common with 87 per cent of Singaporeans, she lives in a low-rent housing corporation flat in a sprawling residential estate. From the outside they look like shoe boxes; inside one is faced with ensuite bathrooms, cool verandahs, mod-con kitchens and the smothering feeling that, were this flat in London, one could not afford it. Mrs. Kalimuthu whipped up a storm of chillies and spices in a blazing wok while British reporters poked and pried around her home and fired obscure questions about Big Brother at her giggling daughter.

We rolled on to a darker part of Singapore's past: Changi chapel and museum. Changi was the holding camp for (mainly Allied) internees during the Japanese Occupation and is a place both sad and lovely; fragrant with frangipani, gridded with grief. The tiny chapel (actually a reconstruction) built by the internees is that corner of a foreign field that is forever Empire. A small museum features grim, sepia-toned photographs of agonies past alongside examples of the ingenuity of the human spirit under stress: a wireless disguised as a broom, a home-made camera, the film from which was later retrieved from its hiding place — a toilet borehole — and used in evidence against the Japanese occupying forces.

But this is past, and Singapore is a city of the future, although the Government has criticised on to the westerner's penchant for all things old and is renovating (beautifully) old mer-



Chinatown: a touch of tradition in modern Singapore

chant's houses and part of the riverfront. Modern Singapore, however, is more concerned with shopping, serious shopping, PhD-level shopping; almost every street has its multi-floored, air-conditioned mall, cathedrals to commerce and credit.

If it's made, it can be found in Singapore, duty-free — provided you have the energy to keep looking. Up-market names — Gucci, Rolex, Ralph Lauren — proliferate, but there is also a vast choice of cheap jeans, T-shirts, jackets, dresses... although it helps to be Singaporean-sized to gain full benefit.

But Singapore deserves more than a stop-over. It has the loveliest, most wide open spaces with natural physical barriers rather than cages, and

healthy animals. The hotels are superb and relatively cheap. The Sheraton Towers, recently voted one of the top 10 hotels in the world by *Business Traveller* magazine, has personal valets on each floor, while the Marina Mandarin, with its towering atrium, is a monument to Singapore's confidence. At older hotels such as the Goodwood Park there is honey still for tea — high tea, with cakes and little sandwiches and Singapore Slings. The subway system is an air-conditioned dream, and buses and taxis are cheap and plentiful.

■ Singapore Airlines flies daily to Changi airport from Heathrow (Manchester twice weekly) for 2652.

## Touch of Class Smiling through

"THINK OF Singapore and you think of Raffles Hotel. Think of Raffles Hotel and you think of Singapore." Richard Heller leans back and looks as content as only a 39-year-old American chief executive of "probably the world's most exciting hotel project" can look, particularly after an eight-course Chinese meal in the Western Plaza, the other main hotel he used to manage in Singapore.

Condensation trickles down the windows, obscuring the view of a forlorn, off-white pile of near-rubble nearby that is marooned in a sea of mud, hoardings and construction vehicles. Raffles, playground of the idle rich and the famously idle, home from home of literary lions, has seen better days.

But then Raffles has seen even worse days than the plaided and checkered of its present refurbishment suggest: world wars (two); occupation by a foreign power (once); reversionary; depression; the filming of *Twelve Angry Men* (starring Trevor Howard). In all, a rather tarty life.

However, next year the reborn Raffles Hotel will rise from the mud, sporting suites big enough to swing a tiger in numerous and construction vehicles. Raffles, playground of the idle rich and the famously idle, home from home of literary lions, has seen better days.

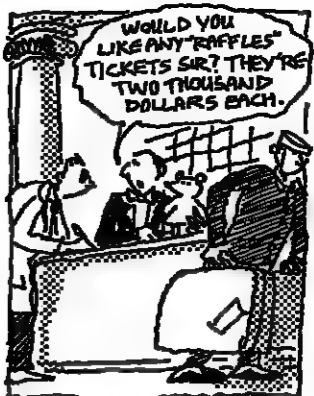
Does there still exist the kind of leisure customer to fill the proposed 104 suites, to wait around the Tiffin Room, the Raffles Grill, the Writer's Bar, the new Palm Court and frangipani-filled gardens?

"We are confident that this type of customer still exists," says Heller. "We will have the best of everything. A staff-guest ratio second to none. Personal valets. Period and Chippendale furnishings. At least four rooms in every suite. Teakwood floors. Superb Oriental rugs. The ambience of the exotic East in the 1920s. We aim to provide the kind of service and style that has not been seen since the old Raffles. And when we do, we will get the customer who demand such service and style. There will be no car

salesmen's conventions in this hotel. Absolutely none. We have to give the guests what they desire. If that includes business facilities, so be it. But they will be discreet. And they will be the best."

Started by four Armenian brothers, the Sardies, in 1886, Raffles quickly attracted the likes of Joseph Conrad and Rudyard Kipling through her gracious doors. The main frontage was completed in 1889 and in 1902, according to legend, a tiger was shot while covering under a table in the billiard room.

Maugham and Coward joined the kings, movie stars and maharajas filtering in and out during the 1920s, but the hotel went into receivership in 1931. It reopened under new

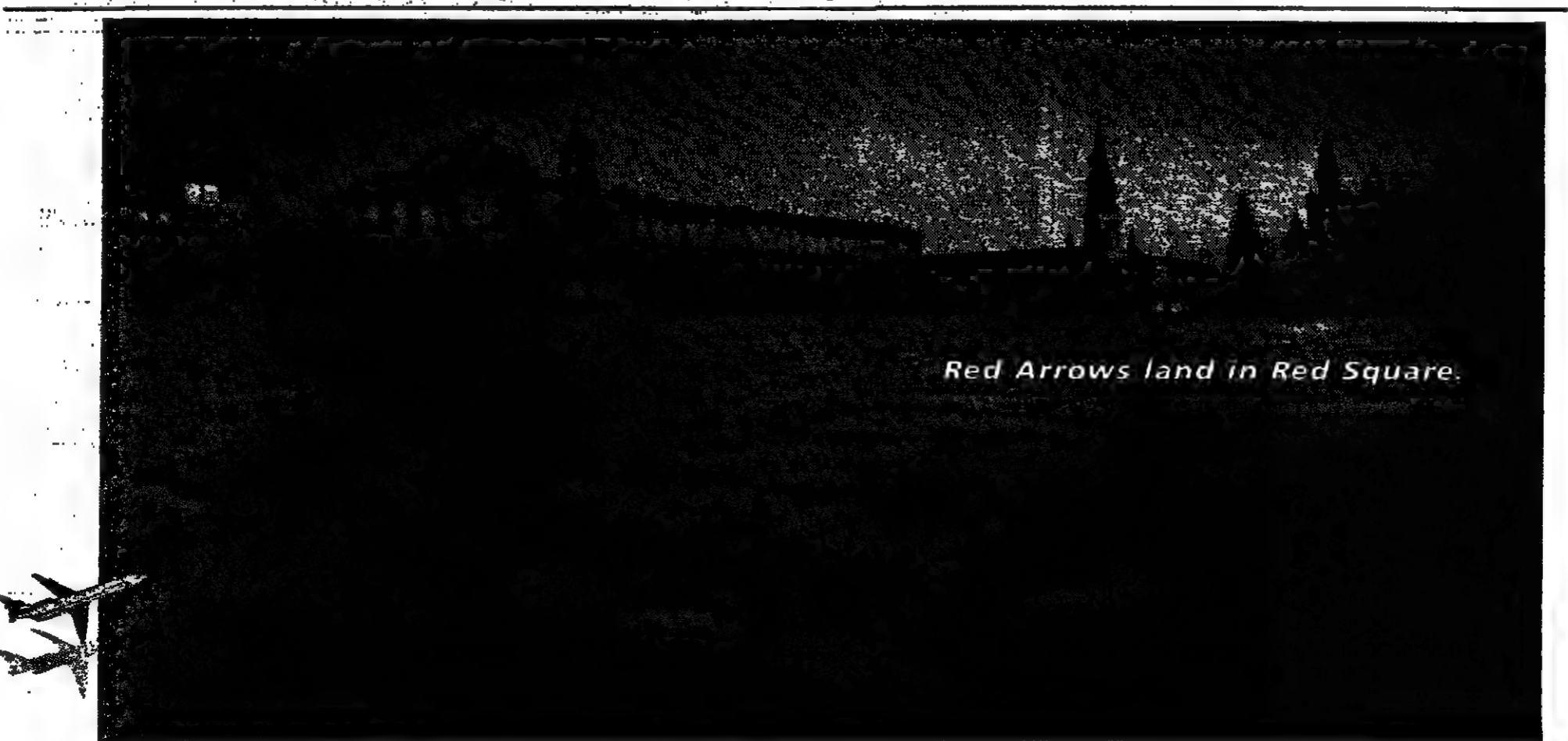


management in 1939 and expanded, but then came the war, and in 1942 British colonialists gathered in the hotel to sing *There'll always be an England* as the Japanese occupying forces battered on the doors. The Japanese used Raffles as a base for senior officers, shifting the main entrance to face the rising sun.

Extensive refurbishment took place in the late 1940s. A (live) tiger was photographed on a billiard table for the hotel's centenary celebration. In 1987 the Singapore Government declared Raffles a national monument, and in 1988 restoration began. Originally built at \$100m (about \$21.7m), Heller admits that costs have climbed to around \$160m, but still keeps smiling.

Andrew Anderson

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HOW TO SPEND IT

# Fashion in the comfort zone

On Monday, Issey Miyake, the great Japanese designer, opens an enlarged store in London's Brompton Cross. Lucia van der Post talked to him in his studio in Tokyo

IN THE Tokyo design studios of Issey Miyake, Issey himself is wearing a roomy, comfortable, collarless cotton and linen indigo blue shirt and easy linen mix trousers that have that perfect simplicity that speaks of price tags that few can afford. Issey is living out his famous dictum that clothes should, above all, be comfortable and now he says it again. "I always feel a responsibility that people should feel comfortable in my clothes."

That simple indigo shirt says it all. Fifteen years old, better now than it was the day it was made, comfortable, unpretentious and yet, in a way that is hard to define, somehow infinitely desirable. Every time he wears it, somebody always asks him where can they find one just like it.

Issey Miyake, the Japanese fashion designer, isn't like any other fashion designer. He doesn't belong to a school or a group or even a time. As *Time* magazine once put it: "Miyake clothes are Japanese in origin, Western in spirit, and, finally, universal." People who wear Issey's clothes are united more by outlook and spirit than by nationality or age. Miyake fans circle the world. They range from Dame Elisabeth Frink to Tina Turner, from Lucie Rie, the eminent ceramicist now in her eighties, to Grace Jones among the women and from Donald Sutherland to Mick Jagger, from Lord Snowdon to David Lean among the men. They are countless, and Issey's fashion students who dream of the day when they will be able to afford just one of Issey's matchless pleated

garments, one of his soft and fluid double cotton jumpuits or one of his immaculate jackets.

What makes them so special is hard to put into words. To those who come upon them first hanging on hangers in a shop they often seem austere or bewildering but to those who stay to try them on and buy, the clothes become indispensable props and they usually become devoted Issey fans, rushing in when the first new season's designs arrive, saving up to buy yet another classic from the Permanent collection. For Issey's clothes are meant to be worn. They are not meant to look good hanging on a hanger but on the person. "When I see someone in the street wearing my clothes," says Issey. "I think, 'Did I do that?' I love to see people make the clothes belong to them, make them no longer mine, but their own." He really does believe the wearer's contribution is vital.

Though Issey is indubitably Japanese and is often credited with designers like Kenzo, Rei Kawakubo and Yohji Yamamoto for bringing a radically different approach to the fashionable silhouette, for releasing it from the strictures of close-cut shapes and covering it, Eastern-style, with loose, fluid layers, he remains, above all, himself. His silhouettes are unique, above and beyond temporary considerations of knee-length and cleavage, waists and shoulder-pads.

Most of all, he is renowned for his innovative approach to fabrics. "All my designs start with fabric. I work as a team with Makiko Minagawa who has been collaborating with me on textiles for 20 years. Originally I came back to Japan because there were wonderful artificial fibres here and it was easier to experiment with them here. Now it is getting more difficult as factories everywhere want big orders. I work on a marriage of all sorts of different fibres. For instance my pleating is all polyester and we make it, just like bread. We put a mixture into a machine, bake it and out comes this pleating.



It is a wonderful invention.

"Once it's made," Issey Miyake is quoted as saying in Irving Penn's photographic essay on him, "fabric is like the grain in wood, you can't go against it. . . . I like to close my eyes and let the fabric tell me what to do." The pleating, it is easy to see, dictates the shape. On a hanger it looks even less inviting than most Miyake pieces but put it on and the precision cutting, the magic fold and drape turn it into something dramatic and wonderful and quite unlike anything else.

It is this combination of ultra-modern techniques and an Eastern-influenced fluid, loose silhouette that are the hallmark of the true Issey Miyake look. His shape seems to owe nothing to Paris, to conventional notions of tailoring or power-dressing. They are unique and seem to have come from nowhere. Nowhere is a land he is comfortable with. "That's where I got a lot of my ideas. From nowhere."

Issey Miyake is not interested in haute couture. He's interested in always moving the boundaries forward, in "trying to make things that have never existed before." It is probably this lack of interest in matters of status and image that explains why, on the streets of Tokyo, a deeply conservative city, you see very little Miyake. I had imagined that I would find the good restaurants and streets like the Omotesando filled with chic women wearing those unmistakable cocoons of interesting-looking textiles, but what you make out are "saxmen" in their sober little suits and business girls in their tight skirts and sweet little blouses with bows at the neck. When I asked him about this curious phenomenon, that he seemed so little appreciated in his own country, he agreed. "Here in Japan, for instance, the women politicians dress

Above: Issey Miyake himself. Far left: a favourite Miyake theme is the jumpsuit, seen here in a version from his 1984 collection in Indonesian hand-blocked cotton batik. Every Permanent collection change has a jumpsuit in it

The fashion photographs far left and near right come from Issey Miyake. Photographs by Irving Penn, edited by Nicholas Collesari. In collaboration with Miyake and Penn and published to coincide with a major exhibition of Issey Miyake's work at the Musée des Arts Décoratifs in Paris in 1988. The photograph far right comes from Issey Miyake by Irving Penn, 1989

like her husbands - I think if they want to have equality with men they should have more common sense. A few years ago I suggested to one of them, Mrs Ichikawa, who was already in her 80s, that she might like to try some of my clothes and she was immediately at home with them and she looked wonderful. Most Japanese women seem to hide themselves and the business girls never wear my clothes. I seem to appeal more to artists, architects, designers, people who are involved in the creative world or visual

life."

The Miyake man's range is, in my view, a marvellous range - simple, wearable, without being as eccentric as some might suppose. Simplicity is the key to the Miyake approach. Like many designers, he started with menswear because he couldn't find clothes which he wanted to wear himself. There was nothing "with the feeling I wanted, with the comfort, the big sleeves, the loose, roomy shirts. I like men's things very much," he says. "Menswear evolves more slowly as men have to wear more of a

uniform to work. I like to make things very simple. Comfort and simplicity should be the key - also to show a personality, not the clothes. Many people think my men's clothing doesn't change but it is not necessary to change just for the sake of change. I don't believe in sudden change. I like calm clothes. Above all I am absorbed by what I am doing. Clothes never hurt people - clothes are great for peace."

features his latest, most advanced ideas, including the pleated lines. Permanent is a collection of Miyake classics, all the favourite designs that his customers go on demanding and won't let him drop. Finally, look out for Plantation, which is about a third cheaper than Permanent and which homes in on natural fabrics, classic colours, linen jackets, dungarees and a slightly sporty look with lots of cotton jersey.

If you are interested in seeing what Issey Miyake could do for you, find an assistant who really cares and then allow yourself plenty of time to experiment and try on. I leave you with the words of Irving Penn. "His designs are not fashionable, but women of style are enriched by them and are made more beautiful than."

The enlarged Issey Miyake shop opens on Monday April 2 in the expanded premises of what was the old Plantation shop at 270 Brompton Road, London SW2. Here all the menswear will be housed. Menswear will remain opposite at 311 Brompton Road. Miyake womenswear is Issey Miyake design in its purest form and

## Citrus with extra appeal

PHILIPPA Davenport, our culinary writer, last year touched on the problems for the cook of using the zest of oranges and lemons in the traditional way now that most of them come coated in one waxy substance or another. Those who are like to make their own marmalade, who love light lemony puddings or a slice of lemon in their G&T might like to know that all 283 Sainsbury stores now sell oranges and lemons entirely free of any wax or other preservative. They cost slightly more but for many of us it's money well spent.

More temptations for those who can't resist buying works of art for their walls. The Portobello Contemporary Art Festival runs from Thursday 8th to Sunday 8th April, during which time the streets around Portobello reverberate to the sound of revelry as friends and art fans wander from gallery to gallery, taking a glass here, attending a fringe event there, and buying the odd piece on their way. The 17 galleries mostly specialise in young, avant-garde work, there is lots to choose from at under £1,000 and generally a good time is had by all. Running at the same time is an exhibition of works by The Moving Gallery at London Lighthouse, 111 Lancaster Rd, London W11 and a percentage of all sales will go to London Lighthouse (the AIDS Residential Centre in West London). Some 60 to 80 works will be on sale at London Lighthouse, ranging in price from £100 to £1,500 but there is lots of choice below £500.

It's not often that I come upon a coffee percolator that not only makes good coffee but is something of a visual treat as well. Enter the Philips Café Gourmet, on display at the Design Museum at Butler's



Wharf as well as being on sale in most good electrical/kitchen departments and all branches of Habitat. Besides looking extremely good the Café Gourmet has a few excellent practical features - the whole machine can be unplugged and brought whole to the dinner table where the hot-plate will keep the coffee hot for up to 30 minutes. Alternatively the small coffee-container at the bottom of the machine can be removed, as with other machines, and brought to the table. It works on a slightly different principle from other filter machines - instead of the water dripping through the coffee slowly, the water is gathered together, heats up to the required temperature and then whooshes through the coffee. The idea behind this is that it prevents the slight bitterness one sometimes gets from filter coffee. Certainly the coffee seemed to taste

exceedingly fresh. The price you pay for all this technology is a slightly smaller filter capacity than usual - 6.75 litres. It sells for £49.95.

All who love the taste and ritual of coffee drinking might like to know that there is now a definitive book on the art of coffee making through the ages. Written by Edward and Joan Bramah, and based on their own unique collection of coffee-makers from all over the world, the book is not only filled with fascinating information (did you know that the British drink 160m cups of coffee a day and that the commodity market for coffee is second in size only to oil?) but is beautifully illustrated, too. Edward Bramah is a tea-taster and coffee broker whose career started on the slopes of Kilimanjaro and his knowledge and love of the subject show. Coffee Makers: 300 years of art & design by Edward & Joan Bramah, published by Quiller press, sells for £20. A real coffee-table book.

At last - a chemical-free, natural, oil-based insect repellent, Vamoose. Chemically-based repellents indubitably do seem to work but if you happen to have an allergy (as I do) to one of the ingredients travelling to midge or other flying critter country becomes a nightmare. Vamoose seems to be the answer. It's made from a blend of essential oils with a vegetable base. I haven't tested it myself yet but propose to do so on my very next safari. In the meantime it smells much, much nicer than the other ones on the market. It is available from Vamoose Products, PO Box 1446, London W6 7AG (01-748-8230) at £5.99 (inc p+p) for 60ml and £4.99 for 100ml and selected chemists and health food stores.

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## GARDENING/MOTORING

**G**EOFFREY Whalen, managing director of Peugeot Talbot GB and president of Britain's Society of Motor Manufacturers and Traders, regards last week's Budget as "a missed opportunity." He says the Chancellor failed to take some environmentally sensible steps necessary to meet the concern about global warming.

Whalen was referring to fuel-efficient diesel cars and, specifically, the continuing lack of official encouragement for their use in Britain. He thinks one reason they still make up only 6 per cent of registrations is that the fuel price differential is too small.

In France - where diesel earlier this month was, typically, FF3.20 a litre, unleaded petrol FF4.95 and leaded premium FF7.05 - almost one-third of new cars are diesels and their market share is growing fast. In Britain, though, diesel and unleaded petrol cost much the same. "We are miles out of step with the principal European countries over diesel pricing," says Whalen.

The unleaded versus leaded battle has already been won. That is good as far as it goes, but if you are talking about reducing global warming, the way to do it is to use diesel, not petrol. Diesel cars burn 25 per cent less fuel and their carbon dioxide emissions are reduced correspondingly.

Most Europeans who drive executive-type diesels probably do so to save money rather than the environment, but the car company car user-chooser in the UK could strike a blow against global warming and still enjoy satisfying motoring. Take two cars in which I have driven 2,000 miles this month. First, the Mercedes 300D in which I made a five-day return trip to Geneva for the recent motor show.

In Geneva, some of the traffic lights have signs flashing a "cut engines" instruction if you have to wait on a red for a couple of minutes. Just before the lights change, the signs tell you to start up again. The thick cocoon of sound-dampening material enveloping the Mercedes' 109-horsepower, six-cylinder engine works so well that it was hard to tell if the engine had caught when I flipped the key. (It always had.) Outside the car, you could hear only an inaudible gurgle.

On the autobahn, I cruised at 90-95 mph (130-140 kmh) or thereabouts. I used the 300D in Geneva's heavy and fast-moving traffic for days and crossed two mountain passes, the Faucille and St Christophe. On an 1,179-mile (1,897 km) round trip, it used 34.7 gallons (126.3 litres) of fuel, giving a consumption of 33.9 mpg (8.33/100 km). For a large, strongly-built and far from lightweight saloon with automatic transmission, driven briskly over varying terrain, that was remarkably frugal.

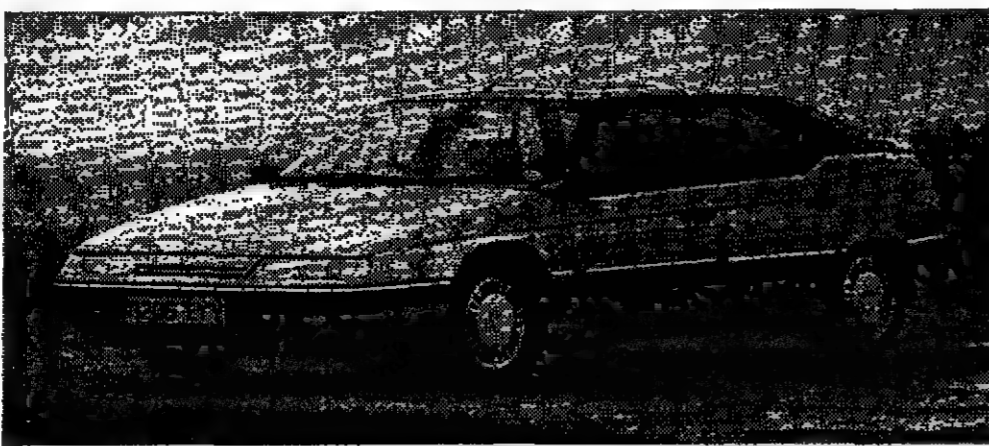
My wife and I found it a most civilised and relaxing car in which to travel over long distances. Acceleration was adequate rather than kick-in-the-back, but there was always power to spare for overtaking.



The Mercedes 300D... so sound-proof that it's hard to hear the engine when you're inside

## Diesels — one way to cool the global greenhouse

Stuart Marshall drives two fuel-efficient models that offer company user-choosers the chance to do their bit for the environment



Citroën's XM Turbo Diesel... as avant garde as the Mercedes is traditional

If you kicked down (even better, flipped the selector) into third.

Styling is conservative rather than fashionable, the instruments plain and legible and the motor controls easy to understand. At autoroute cruising speeds, the engine is barely audible and both wind and tyre noise are moderate. Even at 100 mph (160 kmh), which could be held indefinitely on the autobahn, you can still enjoy the radio or taped music. It rides well, without much tyre thump on bad roads, and I will swear the seats are softer than they used to be in a Mercedes.

The best things in life —

including Mercedes cars — are not cheap. A 300D costs £23,090 with standard power steering, automatic transmission, ABS brakes, central locking and electric windows, near-side mirror and sun-roof. You choose (and pay for) your own in-car entertainment.

Adding agreeable things like power-adjustable front seats, metallic paint, walnut wood trim and an outside temperature gauge will push up the price to £25,887.50. But few used cars are easier to sell, or keep their value better, than a Mercedes 300D. Total ownership costs over several years could be less than those of apparently cheaper cars.

The Citroën XM Turbo Diesel, which went on sale in Britain last week, is as avant-garde as the Mercedes is traditional. It is the first diesel car to have a multi-valve engine — a 2,098 cc, four-cylinder with eight inlet and four exhaust valves. Turbo-charged and inter-cooled, it produces 110 horsepower (one more than the Mercedes three-litre) and more torque (pulling power) at lower revolutions.

You get a pleasant five-speed gearbox with no automatic option. Even in fifth gear in town at 30 mph (48 kmh), the 12-valve engine is a smooth performer. Once it gets up to 3,000 rpm, it gains turbo-charged vigour and feels very lively indeed.

The XM is high-geared. On the motorway, it ambles along at 3,000 rpm — which equals 83 mph (133 kmh) — and, like the Mercedes 300D, has an easy 100 mph cruise capability with power in hand. Claimed maximum is 119 mph (190 kmh). Manuals are more economical than automatics and the

XM's streamlined shape clearly helped, but I was amazed to make a 331-mile (530 km) round trip from Kent to Chesham, Wales, on 38.16 litres of fuel. That works out at 45.4 mpg (6.22/100 km). I was not hurrying but certainly not dawdling.

A forestal driver, taking the engine up to 4,000 rpm-plus and exploiting the surge of turbo-power continuously to keep ahead of the pack, would not get that kind of mileage. But it shows how economical (and environmentally friendly) the XM diesel can be when driven sympathetically.

Engine apart, the diesel version is like any other XM, with a super ride coming from its self-levelling Hydromatic suspension. This softens or firms automatically when sensors detect changes in driving style or road surface, providing the best combination of comfort and safety.

The Citroën isn't quite as whispering a diesel as the Mercedes because the engine is smaller and has to work that much harder. Except when accelerating through the gears, though, you are barely aware it is a diesel at all.

Prices range from £16,900 for the XM Turbo D to £21,119 for the SED version on which leather upholstery, ABS brakes, air-conditioning and alloy wheels are standard. The £16,900 SD I drove had power-adjustable front seats and automatic temperature control.

Even the least expensive Turbo D comes with power steering, central locking, electric sun-roof and front windows. The steering wheel can be adjusted for height and reach.

When you sit in the XM Turbo SD's sumptuous interior, the days when all diesel cars had rubber mats and plastic trim seem very far away.

## Petticoat power

Robin Lane Fox finds a royal display at Windsor

**P**HOTOGRAPHS are powerful seducers: for years, one has been etched on my mind and at last I have verified it. The reality is even more memorable, as you can see for yourself by a straightforward visit to the outskirts of Windsor. It runs on a boggy slope beyond the modern entrance to the Savill Gardens and their inevitable garden shop and it is seen best in the valley at the outer edge of the garden, which you reach by walking slightly right-handed whenever you have a choice.

In my case, I think that the photograph came from an old book by that past master, the late Lanning Roper, on the gardens in and around Windsor Great Park. It showed small daffodils by the thousand which were dotted along a closely-mown grass walk.

They were not big, trumpet-shaped daffodils or narcissi with meretricious eyes: they were not so vulgar as to have outer petals or a crown. They were the wild hoop petticoat varieties, which grow wild in the Spanish peninsula and are much too superior to interbreed with anything else in the family. Like true Spanish aristocrats, they consider their relations to be bad blood.

They grow a few inches high and have open, funnel-shaped flowers in a shade of acid, citron yellow. They have no backs to their flowers and they are much simpler than the petticoats of their popular name.

Photographs are a spur to action. I once bought two dozen hoop petticoats, planted their small bulbs and enjoyed three flowers in the following spring. By the next year, they had disappeared; hoop petticoats dislike a light soil which drains quickly. They receded into my mind, revived by

reports of the Royal Horticultural Society gardens at Wisley, Surrey, where they also grow famously in one of the meadows.

It must, I think, be the spring weather: visiting has become contagious and, after the Hampshire magnolias last week, I found myself wondering if there might be other magnolias that were even better and nearer to hand. Had I, perhaps, gone over the top in the sunshine? It was time to match a photographic memory to reality and try to recapture the truth.

The Savill Gardens are sign-posted admirably and open



daily. And the hoop petticoat daffodils are not only there, where Sir Eric Savill master-minded them nearly a lifetime ago — they are flourishing in six-figure quantities all down a grass walk and across the face of a marshy bank. The weather has suited them twice over. In nature, they like to be hot and dry after flowering, from April until September. When they start to grow again, in February, they like to be damp with their roots in marshy soil. These circumstances are not suited easily, but in 1989/1990, southern England has had the weather of western Spain. The hot summer was

followed during February by a deluge of rain when these daffodils needed it most.

I hate to disrupt your week-end again but, if you can, go off and see them at once. They have a better — may be — of pale yellow flowers between the walks of rhododendrons, most of which are not yet in flower. (Most, but not all. Not far from Windsor's marshall, there is a notable plant of a rhododendron with funnels of flower which are fading from white to rose-pink. Its name is *Tinney Victoria*.)

There are already some other attractions in the Savill Gardens, weeks before time in this crazy spring. There are some trees of magnolia, amazingly tall but not as impressive or scented as sweetly as the magnolia walk of Hilliers in Hampshire. There is a dewy rhododendron from south China, the white *arratum*; there are some early yellows and several crosses with ciliatum as a parent. The white blossom on the prunus trees is already worth a visit and, in the garden shop, I found plants of the small *plio*, *Grace*, the white flowers and red eye of which have eluded me since their showing at the Chelsea show in 1978. It is all worth visiting, but the narcissi make it a necessity.

Next autumn, in the catalogue, narcissus *Hyacinthoides* and its small bulbs will be available freely. Somehow, owners of wet grassland, damp patches and poorly-drained banks forget to dry them. When happy, a few dozen will run wild into thousands, like *crocus tommianus* on the run. With care, they're not happy, but I am happy to have seen them and filed the reality mentally, one of the finest sights in flower in this exceptional 1990.

## Pick of a pack of pansies

**T**HE FINEST trial of pansies I can recollect having seen anywhere is just beginning to make a magnificent display at the Royal Horticultural Society's garden at Wisley in Surrey.

It contains 374 varieties of which only a very few could be regarded as so similar as not really to merit separate identification, yet excludes all the highly regarded *Universal* strains of pansies which were not sent to the trial. The long beds make a great belt of varied colour beside the Portmouthe Road and are likely to get even better during the coming weeks.

How long they will continue depends on how much time the gardeners can spend in removing faded flowers because, like most short-lived plants that renew themselves by seed, when a satisfactory seed crop has been set pansies stop flowering. By then, they are deprived of that signal by removal of old flowers before their seeds have started to swell the plants may keep on flowering as long as the weather is favourable.

The most remarkable improvement in pansies during the quarter century is the advance of the opening flowering date, so very obvious in the Wisley trial. For confirmation of this I

turned to the book which has been my favourite guide to short-term seed raised plants for just about that length of time. It bears the simple title *Pansies and Violas*, was written by A.P. Ralston and first published by Geoffrey Bles in 1965.

Archie Ralston was one of the acknowledged experts of his day on seed-raised plants, manager of the gardens of Sutton and Sons, Slough, as a man who said what he knew and did not exaggerate. I wanted to see what he said about pansy flowering times in mid-century. "Pansies and violas," he wrote, "are best treated as hardy bi-annuals, being sown in June and July for flowering from early summer onwards the following year."

Only at the end of this section does he mention the possibility of earlier flowering and rather cautiously. There is, he says, "a group known as winter flowering which is perfectly hardy and will flower in favourable situations during winter and early spring," but he gives these early-flowering pansies no special recommendation.

If Ralston were here today I am sure that he would phrase this paragraph very differently and give far greater prominence to spring flowering. Pansies are now valued most highly as spring and early summer flowering plants.

I know that this is an extraordinary record and that, in the south, many flowers are now at least a month ahead of time. But many of the pansies at Wisley were already making a fine display in the autumn and were clearly, at that early age, poised to take full advantage of any favourable spells.

Such mild spells in British winters are more frequent than we are prepared to admit. We tend to remember the bad winters and forget those that are benignly normal. I do not know precisely when or how the improvement in early flowering came but then I do not know precisely how or when garden pansies came into existence and the experts also tend to be vague. Probably all started scidien-tally by self-hybridisation between related wild species of viola in Britain or on the Continent. There are plenty of them about, the heartsease,

the mountain pansy and the not very exciting field pansy, the most common in Britain, and known to be a bit promiscuous. But they all have quite small flowers sometimes reaching about one inch and often far less.

These modern monsters can measure several inches across though increase in flower size inevitably brings a reduction in numbers. There is a limit to what a plant can support. The most likely story is that natural hybridisation between the heartsease and the mountain pansy produced flowers of greater size, some of which were observed by gardeners and brought into their gardens in the hope that they could be further improved by selection.

Early in the 19th century *Viola alticola* was introduced to British gardens from Central Asia just in time to add a little more size to the pansies with which gardeners were already experimenting and perhaps also an extra touch of hybrid vigour. What is certain is that it was about this time that named (that is to say gardeners' selected) varieties of pansy began to appear in England and that by 1835 you could have a choice of 400.

So maybe the 374 on view at Wisley are very different after all. But I still think that for splendour, variety and early flowering they would greatly impress those pioneers and I recommend them for gardening day out. But remember that on Sundays Wisley Gardens is for members and their guests only. Visitors can only get in by paying at the gate on weekdays. In spite of storm damage, the garden is exceptionally beautiful at the moment.

Arthur Hellyer

## BRIDGE

YOU WILL enjoy Cines From The Bidding by Julian Potage (Gollancz, £9.95). Some of the hands will tax your skill to its utmost. We start with Neatly Done:

N A 10 9 6 2  
S 8 5  
W A J 10  
E A K Q  
N 3 7 3  
S 6 2  
W 7 5 5  
E 9 7 4  
N 10 8 2  
S K 5 4  
W K Q J 10 3  
E Q 3  
N 9 7 4  
S K 9 8 4 2  
W J 10 8

North deals at game to North-South and opens with two hearts. South (under pressure) decides to bid two no-trumps and North raises to three. West's opening lead is the six of hearts. With one winner in spades, one in hearts

and three in clubs, South needs only four diamond tricks. He can hold up his heart ace for one round and finesse a diamond into West's hand. South takes the second heart, crosses to the diamond ace and returns the knave, intending to finesse East, however, produces the queen and the king wins. The diamonds are all good but there is a snag — the suit is blocked. Declarer makes only eight tricks and goes one down.

Let us try again. We withhold our heart ace for two rounds and take the third heart, discarding dummy's queen of clubs. We cross to the diamond ace, cash king and ace of clubs and return the knave of diamonds. East covers and we take with the king. Now we play the club knave, on which we discard the embarrassing 10 of diamonds, run the rest of the diamonds and cash the spade ace for an over-trick. To bring off a coup like this takes you up for the rest of the day.

We turn to Surprise Target:

N A Q 5 2  
S Q 7 5 4  
W A 8 2  
E K J 10 9 7 4  
N 8 6  
S 9 8 8  
W K J 9 8 5 4  
E Q 10 3  
N 8 3  
S A K J 10 9 3  
W A K 10 2  
E 7

East deals at a love score and bids two spades (weak). South over-calls with four hearts and North's raise to six hearts concludes the auction.

West leads the six of spades (clearly singleton) and the ace wins. The slam is cold if diamonds break kindly, but they may be 4-1. We must put pressure on East to prepare the ground for a subsequent throw-in.

We cash the ace of clubs, ruff a club in hand, cross to the heart queen and ruff dummy's last club. We draw trumps (throwing a diamond from the table) and cash ace and king of diamonds.

East's hand is an open book. We play our eight of spades. East wins and must return the king of spades. We ruff, cross to the carefully preserved diamond queen and the spade queen is our vital 12th trick. This was a really delightful play — did you manage to spot it? I think you can be forgiven if you didn't.

E. P. C. Cotter

## CHESS

A FAVOURITE technique in modern tournament play is to undermine your opponent's central position by a flank attack. Normally, this occurs when the middle of the board is blocked by linked pawn chains and the player with the initiative tries to open a line on the queen's flank for a rook.

One recurrent situation is in the popular King's Indian defence (1 d4 Nf3 2 c4 g3 3 Nc3 Bg7) which often leads to white pawns at b3, b4, c4, d4, e4 and f4 facing black counterpawns at b6, c6, d6, e6 and f6. White usually will regroup his rook to b1, perhaps knights to b2 and a4, then prepare bxc5 and infiltrate a knight to b6 or a rook to b6 or b8. From there, the attack turns right and homes-in on the black king's defences.

The Ray Lopez is a classical king's side opening (1 e4 e5 2 Nf3 Nc6 3 Bb5) which seems to involve a totally different approach from the King's Indian. Yet in its closed version (3 ... e5 4 Bc4 Nf6 5 O-O Be7), the middle game strategy can turn out very similar.

The central pawn formation in the Ray can often become white pawns at a2, b4, c5, d5 and e4 facing a black chain at a6, b5, c7, d6 and e5. Now White will push forward with a4 and/or c4, open up one or more lines for his pieces, and try eventually to reach a7 with rook or queen before an east-wards push against Black's castled position.

These out-flanking strategies in closed positions may sound complex at first hearing. But they are well within the compass of any strong to medium club player who studies relevant grandmaster games, and occur often enough to belong

to a pragmatic repertoire. A harder but impressive out-flanking approach is in the fluid, open positions as illustrated in this week's game from the Viss summit match at Reykjavik. John Nunn, the London grandmaster, pressures the white queen's side from long range with rook and bishops, but the decisive flanker is his king's knight.

This hard-working piece starts the game at g8, then makes 10 of Black's 35 moves on its odyssey via a6 and b8 to d3 where it leads the black army's invasion of White's central defences.

White: J. Fedorowicz (US). Black: J.D.M. Nunn (England). King's Indian Defence (Reykjavik 1980).

1. d4 Nf3 2. c4 g3 3. Nc3 Bg7 4. e4 e5 5. Nf3 O-O 6. Bc4 Bf5 7. Bb5 8. d5 9. Bb3 10. Bb5 11. Bb3 12. Nf3 13. Nf3 14. Nf3 15. Nf3 16. Nf3 17. Nf3 18. Nf3 19. Nf3 20. Nf3 21. Nf3 22. Nf3 23. Nf3 24. Nf3 25. Nf3 26. Nf3 27. Nf3 28. Nf3 29. Nf3 30. Nf3 31. Nf3 32. Nf3 33. Nf3 34. Nf3 35. Nf3 36. Nf3 37. Nf3 38. Nf3 39. Nf3 40. Nf3 41. Nf3 42. Nf3 43. Nf3 44. Nf3 45. Nf3 46. Nf3 47. Nf3 48. Nf3 49. Nf3 50. Nf3 51. Nf3 52. Nf3 53. Nf3 54. Nf3 55. Nf3 56. Nf3 57. Nf3 58. Nf3 59. Nf3 60. Nf3 61. Nf3 62. Nf3 63. Nf3 64. Nf3 65. Nf3 66. Nf3 67. Nf3 68. Nf3 69. Nf3 70. Nf3 71. Nf3 72. Nf3 73. Nf3 74. Nf3 75. Nf3 76. Nf3 77. Nf3 78. Nf3 79. Nf3 80. Nf3 81. Nf3 82. Nf3 83. Nf3 84. Nf3 85. Nf3 86. Nf3 87. Nf3 88. Nf3 89. Nf3 90. Nf3 91. Nf3 92. Nf3 93. Nf3 94. Nf3 95. Nf3 96. Nf3 97. Nf3 98. Nf3 99. Nf3 100. Nf3 101. Nf3 102. Nf3 103. Nf3 104. Nf3 105. Nf3 106. Nf3 107. Nf3 108. Nf3 109. Nf3 110. Nf3 111. Nf3 112. Nf3 113. Nf3 114. Nf3 115. Nf3 116. Nf3 117. Nf3 118. Nf3 119. Nf3 120. Nf3 121. Nf3 122. Nf3 123. Nf3 124. Nf3 125. Nf3 126. Nf3 127. Nf3 128. Nf3 129. Nf3 130. Nf3 131. Nf3 132. Nf3 133. Nf3 134. Nf3 135. Nf3 136. Nf3 137. Nf3 138. Nf3 139. Nf3 140. Nf3 141. Nf3 142. Nf3 143. Nf3 144. Nf3 145. Nf3 146. Nf3 147. Nf3 148. Nf3 149. Nf3 150. Nf3 151. Nf3 152. Nf3 153. Nf3 154. Nf3 155. Nf3 156. Nf3 157. Nf3 158. Nf3 159. Nf3 160. Nf3 161. Nf3 162. Nf3 163. Nf3 164. Nf3 165. Nf3 166. Nf3 167. Nf3 168. Nf3 169. Nf3 170. Nf3 171. Nf3 172. Nf3 173. Nf3 174. Nf3 175. Nf3 176. Nf3 177. Nf3 178. Nf3 179. Nf3 180. Nf3 181. Nf3 182. Nf3 183. Nf3 184. Nf3 185. Nf3 186. Nf3 187. Nf3 188. Nf3 189. Nf3 190. Nf3 191. Nf3 192. Nf3 193. Nf3 194. Nf3 195. Nf3 196. Nf3 197. Nf3 198. Nf3 199. Nf3 200. Nf3 201. Nf3 202. Nf3 203. Nf3 204. Nf3 205. Nf3 206. Nf3 207. Nf3 208. Nf3 209. Nf3 210. Nf3 211. Nf3 212. Nf3 213. Nf3 214. Nf3 215. Nf3 216. Nf3 217. Nf3 218. Nf3 219. Nf3 220. Nf3 221. Nf3 222. Nf3 223. Nf3 224. Nf3 225. Nf3 226. Nf3 227. Nf3 228. Nf3 229. Nf3 230. Nf3 231. Nf3 232. Nf3 233. Nf3 234. Nf3 235. Nf3 236. Nf3 237. Nf3 238. Nf3 239. Nf3 240. Nf3 241. Nf3 242. Nf3 243. Nf3 244. Nf3 245. Nf3 246. Nf3 247. Nf3 248. Nf3 249. Nf3 250. Nf3 251. Nf3 252. Nf3 253. Nf3 254. Nf3 255. Nf3 256. Nf3 257. Nf3 258. Nf3 259. Nf3 260. Nf3 261. Nf3 262. Nf3 263. Nf3 264. Nf3 265. Nf3 266. Nf3 267. Nf3 268. Nf3 269. Nf3 270. Nf3 271. Nf3 272. Nf3 273. Nf3 274. Nf3 275. Nf3 276. Nf3 277. Nf3 278. Nf3 279. Nf3 280. Nf3 281. Nf3 282. Nf3 283. Nf3 284. Nf3 285. Nf3 286. Nf3 287. Nf3 288. Nf3 289. Nf3 290. Nf3 291. Nf3 292. Nf3 293. Nf3 294. Nf3 295. Nf3 296. Nf3 297. Nf3 298. Nf3 299. Nf3 300. Nf3 301. Nf3 302. Nf3 303. Nf3 304. Nf3 305. Nf3 306. Nf3 307. Nf3 308. Nf3 309. Nf3 310. Nf3 311. Nf3 312. Nf3 313. Nf3 314. Nf3 315. Nf3 316. Nf3 317. Nf3 318. Nf3 319. Nf3 320. Nf3 321. Nf3 322. Nf3 323. Nf3 324. Nf3 325. Nf3 326. Nf3 327. Nf3 328. Nf3 329. Nf3 330. Nf3 331. Nf3 332. Nf3 333. Nf3 334. Nf3 335. Nf3 336. Nf3 337. Nf3 338. Nf3 339. Nf3 340. Nf3 341. Nf3 342. Nf3 343. Nf3 344. Nf3 345. Nf3 346. Nf3 347. Nf3 348. Nf3 349. Nf3 350. Nf3 351. Nf3 352. Nf3 353. Nf3 354. Nf3 355. Nf3 356. Nf3 357. Nf3 358. Nf3 359. Nf3 360. Nf3 361. Nf3 362. Nf3 363. Nf3 364. Nf3 365. Nf3 366. Nf3 367. Nf3 368. Nf3 369. Nf3 370. Nf3 371. Nf3 372. Nf3 373. Nf3 374. Nf3 375. Nf3 376. Nf3 377. Nf3 378. Nf3 379. Nf3 380. Nf3 381. Nf3 382. Nf3 383. Nf3 384. Nf3 385. Nf3 386. Nf3 387. Nf3 388. Nf3 389. Nf3 390. Nf3 391. Nf3 392. Nf3 393. Nf3 394. Nf3 395. Nf3 396. Nf3 397. Nf3 398. Nf3 399. Nf3 400. Nf3 401. Nf3 402. Nf3 403. Nf3 404. Nf3 405. Nf3 406. Nf3 407. Nf3 408. Nf3 409. Nf3 410. Nf3 411. Nf3 412. Nf3 413. Nf3 414. Nf3 415. Nf3 416. Nf3 417. Nf3 418. Nf3 419. Nf3 420. Nf3 421. Nf3 422. Nf3 423. Nf3 424. Nf3 425. Nf3 426. Nf3 427. Nf3 428. Nf3 429. Nf3 430. Nf3 431. Nf3 432. Nf3 433. Nf3 434. Nf3 435. Nf3 436. Nf3 437. Nf3 438. Nf3 439. Nf3 440. Nf3 441. Nf3 442. Nf3 443. Nf3 444. Nf3 445. Nf3 446. Nf3 447. Nf3 448. Nf3 449. Nf3 450. Nf3 451. Nf3 452. Nf3 453. Nf3 454. Nf3 455. Nf3 456. Nf3 457. Nf3 458. Nf3 459. Nf3 460. Nf3 461. Nf3 462. Nf3 463. Nf3 464. Nf3 465. Nf3 466. Nf3 467. Nf3 468. Nf3 469. Nf3 470. Nf3 471. Nf3 472. Nf3 473. Nf3 474. Nf3 475. Nf3 476. Nf3 477. Nf3 478. Nf3 479. Nf3 480. Nf3 481. Nf3 482. Nf3 483. Nf3 484. Nf3 485. Nf3 486. Nf3 487. Nf3 488. Nf3 489. Nf3 490. Nf3 491. Nf3 492. Nf3 493. Nf3 494. Nf3 495. Nf3 496. Nf3 497. Nf3 498. Nf3 499. Nf3 500. Nf3 501. Nf3 502. Nf3 503. Nf3 504. Nf3 505. Nf3 506. Nf3 507. Nf3 508. Nf3 509. Nf3 510. Nf3 511. Nf3 512. Nf3 513. Nf3 514. Nf3 515. Nf3 516. Nf3 517. Nf3 518. Nf3 519. Nf3 520. Nf3 521. Nf3 522. Nf3 523. Nf3 524. Nf3 525. Nf3 526. Nf3 527. Nf3 528. Nf3 529. Nf3 530. Nf3 531. Nf3 532. Nf3 533. Nf3 534

# Glittering lives

A black and white caricature of a man with a large head, thick mustache, and intense expression. He is wearing a suit and tie. In the foreground, there is a box labeled 'POLANTHIN' and several books. The background is dark and textured.

If there is a single theme, it is politics, as one would expect from Lord Blake, the historian of the Conservative Party, who is one of the principal editors.

**Mary Hope**

## A black and white portrait of a man with dark hair, wearing a suit and tie. He is looking slightly to the right of the camera with a neutral expression. The image is high-contrast and grainy, typical of a photocopy or a low-quality scan.

### Paul Driver

main newspaper, will expand our reviewing of the considerable number of new books about economics, finance, trade, industry, management, etc. The next issue will appear in June.

**Justin Wintle**



ARTS

# Musical aid to democracy

Richard Fairman visits the Budapest Spring Festival



Bernard Weill, Felicity Lott and Reiner Goldberg as Sachs, Eva and Walther respectively

## A conductor's Meistersinger

THE ROYAL Opera attracts an enviable and (I guess) currently unequalled roster of fine conductors. This season alone, and in a few short months, they have given us Colin Davis in Weber, Kleiber and later Downes in Verdi, Harnik in Borodin, Solti in Strauss, and now Christoph von Dohnányi in his first London Wagner performance - all of them "real" musicians, operatic insiders, men who impose a palpable authority on the score and its execution. At a time when international opera seems more often than not the feeblest of PR fantasies, London's opera-going public does well to note this concrete achievement.

A "conductor's house" is certainly, and proudly, what this seemed to be during *Die Meistersinger* on Thursday, though one should also note and salute the care with which the cast had been composed, and the high degree of finesse that marked John Cox's staging (in the 1899 Barry Kay decor, with a new set - effective in a rather "Toy Town" style for the time by Michael Hopkins). The opera, even if its outdoor scenes are a tight fit on this stage, always captures a special intimacy at Covent Garden. One can summon in memory the recollection of a different kind of Meistersinger conducting - a more spacious, less kind, manner (with Midsummer, began Eke lyrical grace - but, given the particular character of theatre, cast and production, one could hardly hope for a more unenviable or dramatically focused account of the opera than Dohnányi's).

He is a conductor who makes every line spring into musical activity, who finds a natural articulation in every corner of the score, who sits the Covent Garden orchestra to playing of uncommon vitality. Wagner's contrapuntal fine-tuning was not, as it sometimes can be, merely imposing; on Thursday it was made the life-blood of the opera's drama - no detail was left decorative, no note failed

to etch a telling imprint on the passage of events on stage (which is perhaps why, even at Dohnányi's majestic tempo, this was felt to be a fast-moving reading). "Singing" is not, perhaps, an adjective readily associated with this particular operatic comedy, but for me it was the right one for Thursday's performance of it: genuinely exciting, because lit from within by wit, intelligence, and true dramatic purpose.

In a great or even a good Meistersinger, life on the other side of the proscenium arch soon comes to seem more potent and immediate, more important, than the real

thing - as it did on Thursday. (This is, of course, a triumph of illusion, since the opera is a highly sophisticated disquisition on the nature of art and society embedded in a day-in-the-life vision of Nuremberg and its inhabitants.) The cast-list contains some well-tried Wagner partnerships and individual performances (Gwynne Howell's Pogner, for instance, long-familiar and never better) as well as some interesting newcomers. Beckmesser's critics may well be able to point to this or that feature of singing that could bear improvement. The important thing is that the dramatic personae already feel like a community, not a band of strangers landed up on the same stage.

There is already a sense of ensemble polish on the stage: Mr Cox essays no posturing or uncomfortable new insights about the opera, but appears to have concentrated instead on creating as lively a set of characters as possible. The partnership of Bernard Weill (Sachs) and Hermann Frey (Beckmesser), new to London, is celebrated all over Europe; it is extremely satisfying to see two such professional pieces of acting meshed together. Weill, strong-voiced, authoritative, always sure of purpose, steers entirely clear of the role's melancholy depths; Frey, who of all singers needs to bark less often than he did in Act 2, is not one of those Beckmessers whose comic genius is founded on the observation of the character's pain. There was enormous pleasure to be had from the two, nonetheless.

Reiner Goldberg's Walther, first encountered in 1982, has exchanged his brown wig for a less plausible blond, and has in the interval become a rather uncomfortable "metallic" tenor, but he phrases words with a real sense of their poetic impetus - an impressively full-blooded, lyrical Walther in intention if not always in actual sound. Robert Gambill (David) is neat, nimble, charming, but somewhat dryer in tone than expected. The assembly of masters is led by Donald Maxwell's excellently pompous Kothner, and given a notably fresh "top line" by Glenn Wisniewski's Vogelsang.

Special interest attached to the female casting. Felicity Lott (Eva) and Anne Howell (Magdalene), newcomers to Wagner both, are two such lustrous stage-creatures, quick with witty glances and shades of inflection, that there was almost a whiff of drawing-room comedy - or even Glynnis's Capriccio (of which they and Mr Cox are alumni) - in the opening scene: "wrong," but delicious. Miss Lott came into her own in Act 3, with free-voiced, long-breathed singing of remarkable radiance. She needs, though, to do a great deal of simplifying and pruning: Eva is a strong-willed Nuremberg girl, not an elegant Home Counties hostess.

As a venue for a festival in springtime Budapest has few rivals. One can spend the day on a walk around the centre dreaming how splendid the city will look when it has

emerged from the layer of grime that has built up over the last half century. At night it is warm enough to walk along the Danube and marvel at the most dramatic of all the European capitals by floodlight. What a wealth of magnificent buildings there is here.

The highlighting of the political situation is sure to be reflected in all the arts. It is unlikely that any other nation has produced so many international musicians per head of the population as Hungary, but if you wanted to see them before you will have had to catch them overseas. Solti and Eva Marton gave their stunning *Elektra* at Covent Garden, not in Budapest.

In that respect it is fascinating to read through the Spring Festival programme. Montserrat Caballé and The King's Singers head the list of visiting musicians, but alongside them can be found András Schiff (England), György Sándor (US) and Tamás Vésztényi (England), to quote their present homes as the brochure listed them. These names were well known in the West, I preferred to choose all-Hungarian concerts and operas, though it has to be said that this plan was not without its disappointments. A concert at the Budapest Convention

Centre had a poor soloist and the acoustics there are problematical. The standard of singing at the Erkel Theatre, was simply not good enough in Erkel's own *Hunyadi László*, one of the great national operas and potentially a most delightful piece.

The discerning visitor is advised to head elsewhere and, if he makes his choice carefully, will be rewarded with both a beautiful venue and better music-making. The Academy of Music is a lovely concert-hall, at once studiously academic and ostentatious, its gilded decorations just below roof level including an amusing set of sculpted panels labelled "Adagio", "Allegro", and so on. The North Hungarian Symphony Orchestra under László Kovács gave an enjoyable concert here with the pianist Karoly Mocsáry, who looks like a young Liszt and played the composer's *Totentanz* with a thoroughly Lisztian dazzle and fire.

On election day itself it was possible to catch two major examples of Hungarian music theatre. In the morning the Erkel Theatre put on Kodály's *Eggy Ház* to a packed house of families and schoolchildren. This place is not so much a museum as a nationalistic pantomime, in which a series of simple soldier's tales is transformed into an expression of visionary dreams and desires. It makes a touchingly simple show, and during the long pas-

sages of dialogue in Hungarian one could at least have the vicarious pleasure of seeing young people at the theatre enjoying themselves.

In the evening the Hungarian State Opera and Ballet mounted the same Bartók/Dohnányi programme that they brought to London on tour. Even if you saw it there, do not hesitate. The State Opera House in Budapest is an architectural marvel to rival Venice's La Fenice or the Vienna State Opera. From an entrance that would not look inappropriate in a Byzantine temple, it leads to a dazzling gilt and bronze auditorium with a royal box so rich in ornament that one hardly wants to turn and face the stage. The productions, though, were strong here to live up to the hall's splendour. Bartók's *Duke Bluebeard's Castle* given with striking theatrical style.

What an extraordinary pair of operas to see on this of all days. The Kodály lifts the audience up to a fantastic height and aspirations; the Bartók casts them down again with a lesson of how knowledge and experience lead only to nihilism. Both seem Hungarian through and through, so it is difficult to say if either can give a pointer to the country's way forward at this crucial point in its history. Outside, meanwhile, voters were taking the first step in 40 years to determine which direction that might be.

### Ballet

## A simple Peer

AS A poetic fantasy, *Peer Gynt* might have been conceived for dance. In movement, any kind of dance can be avoided, and verismo is sent flying by the dancers' feet. And yet of three versions I have seen, none has caught the physical or spiritual wit of the original, which is the current bearing Peer along on his pilgrimage.

The latest staging - by the Danish choreographer Kim Brandstrup for his Art Dance Company - was on view this week at The Place. Brandstrup has established himself over the past decade as one of the most interesting, because most individual, creative voices in British dance. But in dealing with *Peer Gynt*, I suspect that he has fallen victim to an excessive familiarity with his text. In making his staging - he has opted for a language bare, iconic in its manner, which may speak volumes to the Nordic temperament, but which seems at times over-stark and too laden with personal meaning for the rest of us.

The production has many merits. His vision is clear and understating; its narrative means coherent in a style of deliberate austerity. Fine design, by Craig Gilman, is lit to make a brilliantly comic board ramp, pendant rags, and a floor cloth, in sabbat shades, which become a magically evocative setting. Clothing is liberal, good. The score, by Jan Dearden and Sarah Collins, establishes atmosphere. Brandstrup has pared away the action to the essentials of Peer's spiritual journey, and each incident is clearly told. He has assembled a gifted cast of ten, led by Michael Fulwell as a sensitive Peer, with Joy Constantinescu a vibrant Aase, and Jonathan Lunn powerful as Preacher and Keeper of the Asylum.

All this is admirable, and excellently scaled to the forces available. The staging, indeed, was profoundly interesting, though not dramatically vivid. The play has ten acts, and in this production (directed by Martin Armstrong) there are 30 characters. I could not always hold more than the principals in my mind as short incidents proliferated to build up Ibsen's tale.

In the first half of the play Julian is only 19, and Robert Glenister plays him anxious and ambitious, rightly, for the Roman Emperor Constantine is his father. Julian and Constantine are both Christians but Julian feels that this faith lacks beauty and gaiety, and turns to the old Greek gods. He meets a mystic, Maximus (Timothy West), who raises the three people who are the greatest influence world events - Cain, Judas Iscariot and a third who will not appear, but we may think Julian.

Julian, now Caesar (though not Emperor), is fighting in Gaul; he wins a great victory, and the Emperor sends for him lest he should march his forces on Rome. Julian's mind is torn between the Greek gods and the Christian faith, but Maximus says, "Go, fully aware, the light will find you." Julian chooses the old gods. Constantine dies; and the troops acclaim their Emperor Julian. That concludes the first part. In the second half, Emperor Julian, now fully pagan and more arrogant than ever by Glenister, pronounces freedom of worship; but the Christians

won't play, so there has to be tyranny. Maximus tells him he is invulnerable except in Phrygia; but in due time Julian is spared by Asclepius, former Christian colleague - in Phrygia, where they had not meant to be. The Christians are now tending to desert, and Julian realises that his oppression of them has made them stronger. He is indeed the third man. I have liked to hear the play more fully done in, say, six parts; but I'm very glad to have heard what I heard.

To say that Radio 2 is to spread its wings is like saying this about a penguin, for wings are not what it goes in for. All the same, the programme is a little like a penguin in the way it is to be a programme - four nights a week, from ten to midnight. Ever heard a pilot, and it didn't sound very new-style to me, just basically Radio 2-style, and why not? Lots of do-you-remember records. (Herman's Hermits, Buddy Holly, Ella Fitzgerald; a bit of Bachman/Turner; news every half-hour; a new game; some listeners' tales; a short story; must have lost his last paragraph; next day's papers. The anchor man is Ken Bruce, and his name is the name of the programme. Not fair to judge from a pilot; more after the real thing.)

The indefatigable Independent Drama Production company is doing miniature plays on BBC Crown FM, about awkward problems in society. Tuesday, on Mike Allan's *Night-time*, we had trans-racial adoption, a matter once thought good but now bad because the adoptee can't have his relationship with his own (and other) races truly understood. The play was about a white family with a bright Bangladeshi girl student. The problem was merely mentioned in the drama, but fully dealt with in the subsequent interviews and telephone-calls. The whole principle seems to me admirable.

Clement Crisp

B.A. Young

## Records Two generations of Rings

shortly after Harnik had conducted the new Covent Garden production in 1988. Whatver the fate of that particular staging, the experience of regulating the theatrical ebb and flow has left its mark upon his control of the score, which moves with such smoothness and dramatic point that the halting progress of the earlier instalment seems like a bad dream.

Occasionally it all moves a little too easily; there could be

more grandeur, passages set in quotation marks to mark their place in the scheme, perhaps early when the cast does not contain any singers ready to provide that dramatic charge. There are no significant vocal shortcomings; but little electricity either, save hands are preferred to stately walkways. James Morris continues to purvey his solid, honeyed Wotan much as he did for both Levine and Harnik in *Walküre*. The phrasing is simple, the tone wonderfully focused and shaded, yet he misses, it seems to me, a whole dimension of the character's ruthlessness which will instinctively resort to blunt force when sweet persuasion fails.

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Chorus No. 816 1 07 Kx7+ (or Bg7) 2 dxe8-NI or Kxe7+ 2 d8-N, or B or Rxe7 2 Rxc8.

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ARTS

# Musical aid to democracy

Richard Fairman visits the Budapest Spring Festival



Bernard Weill, Felicity Lott and Reiner Goldberg as Sachs, Eva and Walther respectively

## A conductor's Meistersinger

THE ROYAL Opera attracts an enviable and (I guess) currently unequalled roster of fine conductors. This season alone, and in a few short months, they have given us Colin Davis in Weber, Kleiber and later Downes in Verdi, Hattink in Borodin, Solti in Strauss, and now Christoph von Dohnányi in his first London Wagner performance - all of them "real" musicians, operatic insiders, men who impose a palpable authority on the score and its execution.

A "conductor's house" is certainly, and proudly, what this seemed to be during Die Meistersinger on Thursday, though one should also note and salute the care with which the cast had been composed, and the high degree of finesse that marked John Cox's staging (in the 1899 Barry Kay decor, with a new set - effective in a rather "Toy Town" style for the time by Michael Hopkins). The opera, even if its outdoor scenes are a tight fit on this stage, always captures a special intimacy at Covent Garden. One can summon in memory the recollection of a different kind of Meistersinger conducting - a more spacious, less kind, manner (with Midsummer, Eke's lyrical grace - but, given the particular character of theatre, cast and production, one could hardly hope for a more unenviable or dramatically focused account of the opera than Dohnányi's).

He is a conductor who makes every line spring into musical activity, who finds a natural articulation in every corner of the score, who sits the Covent Garden orchestra to playing of uncommon vitality. Wagner's contrapuntal fine-tuning was not, as it sometimes can be, merely imposing; on Thursday it was made the life-blood of the opera's drama - no detail was left decorative, no note failed

to etch a telling imprint on the passage of events on stage (which is perhaps why, even at Dohnányi's majestic tempos, this was felt to be a fast-moving reading). "Singing" is not, perhaps, an adjective readily associated with this particular operatic comedy, but for me it was the right one for Thursday's performance of it: genuinely exciting, because lit from within by wit, intelligence, and true dramatic purpose.

In a great or even a good Meistersinger, life on the other side of the proscenium arch soon comes to seem more potent and immediate, more important, than the real

thing - as it did on Thursday. (This is, of course, a triumphal illusion, since the opera is a highly sophisticated disquisition on the nature of art and society embedded in a day-in-the-life vision of Nuremberg and its inhabitants.) The cast-list contains some well-tried Wagner partnerships and individual performances (Gwynne Howell's Pogner, for instance, long-familiar and never better) as well as some interesting newcomers. Beckmesser's critics may well be able to point to this or that feature of singing that could bear improvement. The important thing is that the dramatic personae already feel like a community, not a band of strangers landed up on the same stage.

There is already a sense of ensemble polish on the stage: Mr Cox essays no posturing or uncomfortable new insights about the opera, but appears to have concentrated instead on creating as lively a set of characters as possible. The partnership of Bernard Weill (Sachs) and Hermann Frey (Beckmesser), new to London, is celebrated all over Europe; it is extremely satisfying to see two such professional pieces of acting meshed together. Weill, strong-voiced, authoritative, always sure of purpose, steers entirely clear of the role's melancholy depths; Frey, who of all singers needs to bark less often than he did in Act 2, is not one of those Beckmessers whose comic genius is founded on the observation of the character's pain. There was enormous pleasure to be had from the two, nonetheless.

Reiner Goldberg's Walther, first encountered in 1982, has exchanged his brown wig for a less plausible blond, and has in the interval become a rather uncomfortable "metallic" tenor, but he phrases words with a real sense of their poetic impetus - an impressively full-blooded, lyrical Walther in intention if not always in actual sound. Robert Gambill (David) is neat, nimble, charming, but somewhat dryer in tone than expected. The assembly of masters is led by Donald Maxwell's excellently pompous Kothner, and given a notably fresh "top line" by Glenn Wisniewski's Vogelsang.

Special interest attached to the female casting. Felicity Lott (Eva) and Anne Howell (Magdalene), newcomers to Wagner both, are two such lustrous stage-creatures, quick with witty glances and shades of inflection, that there was almost a whiff of drawing-room comedy - or even Glynnis's Capriccio (of which they and Mr Cox are alumni) - in the opening scene: "wrong," but delicious. Miss Lott came into her own in Act 3, with free-voiced, long-breathed singing of remarkable radiance. She needs, though, to do a great deal of simplifying and pruning: Eva is a strong-willed Nuremberg girl, not an elegant Home Counties hostess.

A STRANGER to the city would hardly have been able to tell from the orderly scenes of everyday life in Budapest last weekend that the country was about to face its historic first election of the post-Communist era. The process gave every impression of having been absorbed with naturalness and professionalism. Indeed, to a British visitor the political advertising had an "openness" that quite took one's breath away. One party had pasted up posters showing the back of a soldier's head, presumably Russian, with the slogan "Goodbye comrade." On the streets all was calm. No marches, no flag-waving.

If you approached a throng of people on a street corner in Budapest the chances are that they had gathered not for politics, but to listen to music, for a lively addition to the official programme. In the main square a magician had set up shop next to an official-looking open-air exhibition of photos that commemorated the student uprising in China last year. Along the river young groups of musicians provided fringe events that made a lively addition to the official programme.

As a venue for a festival in springtime Budapest has few rivals. One can spend the day on a walk around the centre dreaming how splendid the city will look when it has

emerged from the layer of grime that has built up over the last half century. At night it is warm enough to walk along the Danube and marvel at the most dramatic of all the European capitals by floodlight. What a wealth of magnificent buildings there is here.

The brightening of the political situation is sure to be reflected in all the arts. It is unlikely that any other nation has produced so many international musicians per head of the population as Hungary, but if you wanted to see them before you will have had to catch them overseas. Solti and Eva Marton gave their stunning Elektra at Covent Garden, not in Budapest.

In that respect it is fascinating to read through the Spring Festival programme. Montserrat Caballé and The King's Singers head the list of visiting musicians, but alongside them can be found András Schiff (England), György Sándor (US) and Tamás Vésztői (England), to quote their present homes as the brochure listed them. These names were well known in the West, I preferred to choose all-Hungarian concerts and operas, though it has to be said that this plan was not without its disappointments. A concert at the Budapest Convention

Centre had a poor soloist and the acoustics there are problematical. The standard of singing at the Erkel Theatre, was simply not good enough in Erkel's own Hunyadi László, one of the great national operas and potentially a most delightful piece.

The discerning visitor is advised to head elsewhere and, if he makes his choice carefully, will be rewarded with both a beautiful venue and better music-making. The Academy of Music is a lovely concert-hall, at once studiously academic and ostentatious. Its gilded decorations just below roof level including an amusing set of sculpted panels labelled "Adagio", "Allegro", and so on. The North Hungarian Symphony Orchestra under László Kovács gave an enjoyable concert here with the pianist Karoly Mocsáry, who looks like a young Liszt and played the composer's Totenküchle with a thoroughly Lisztian dazzle and fire.

On election day itself it was possible to catch two major examples of Hungarian music theatre. In the morning the Erkel Theatre put on Kodály's Eger János to a packed house of families and schoolchildren. This piece is not so much an opera as a nationalistic pantomime, in which a series of simple soldier's tales is transformed into an expression of visionary dreams and desires. It makes a touchingly simple show, and during the long pas-

sages of dialogue in Hungarian one could at least have the vicarious pleasure of seeing young people at the theatre enjoying themselves.

In the evening the Hungarian State Opera and Ballet mounted the same Bartók/Dohnányi programme that they brought to London on tour. Even if you saw it there, do not hesitate. The State Opera House in Budapest is an architectural marvel to rival Venice's La Fenice or the Vienna State Opera. From an entrance that would not look inappropriate in a Byzantine temple, it leads to a dazzling gilt and bronze auditorium with a royal box so rich in ornament that one hardly wants to turn and face the stage. The productions, though, were strong here to live up to the hall's splendour. Bartók casts them down again with a lesson of how knowledge and experience lead only to nihilism. Both seem Hungarian through and through, so it is difficult to say if either can give a pointer to the country's way forward at this crucial point in its history. Outside, meanwhile, voters were taking the first step in 40 years to determine which direction that might be.

### Ballet

## A simple Peer

AS A poetic fantasy, Peer Gynt might have been conceived for dance. In movement, any kind of dance can be avoided, and verismo is suitably by the dancers' feet. And yet of three versions I have seen, none has caught the physical or spiritual wit of the original, which is the current bearing Peer along on his pilgrimage.

The latest staging - by the Danish choreographer Kim Brandstrup for his Arc Dance Company - was on view this week at The Place. Brandstrup has established himself over the past decade as one of the most interesting, because most individual, creative voices in British dance. But in dealing with Peer Gynt, I suspect that he has fallen victim to an excessive familiarity with his text. In making his staging - he has opted for a language bare, iconic in its manner, which may speak volumes to the Nordic temperament, but which seems at times over-stark and too laden with personal meaning for the rest of us.

The production has many merits. His vision is clear and understating; its narrative means coherent in a style of deliberate austerity. Fine design, by Craig Gilman, is lithe and more than makes a floor cloth, in subtle shades, which become a magically evocative setting. Clothing is liberal, good. The score, by Ian Dearden and Sarah Collins, establishes atmosphere. Brandstrup has pared away the action to the essentials of Peer's spiritual journey, and each incident is clearly told. He has assembled a gifted cast of ten, led by Michael Fulwell as a sensitive Peer, with Joy Constantinescu a vibrant Aase, and Jonathan Lunn powerful as Preacher and Keeper of the Asylum.

All this is admirable, and excellently adapted to the forces available. The staging, indeed, was profoundly interesting, though not dramatically vivid. The play has ten acts, and in this production (directed by Martin Armstrong) there are 20 characters. I could not always hold more than the principals in my mind as short incidents proliferated to build up Ibsen's tale.

In the first half of the play Julian is only 19, and Robert Glenister plays him anxious and ambitious, rightly, for the Roman Emperor Constantine is his father. Julian and Constantine are both Christians but Julian feels that this faith lacks beauty and gaiety, and turns to the old Greek gods. He meets a mystic, Maximus (Timothy West), who raises the three people who are the greatest influence world events - Cain, Judas Iscariot and a third who will not appear, but we may think Julian.

Julian, now Caesar (though not Emperor), is fighting in Gaul; he wins a great victory, and the Emperor sends for him lest he should march his forces on Rome. Julian's mind is torn between the Greek gods and the Christian faith, but Maximus says, "Go, fully aware, the light will find you." Julian chooses the old gods. Constantine dies; and the troops acclaim their Emperor Julian. That concludes the first part. In the second half, Emperor Julian, now fully pagan and more arrogant than ever by Glenister, pronounces freedom of worship; but the Christians

won't play, so there has to be tyranny. Maximus tells him he is invulnerable except in Phrygia; not in due time Julian is spared by Agathon, a former Christian colleague - in Phrygia, where they had not meant to be. The Christians are now tending to desert, and Julian realises that his oppression of them has made them stronger. He is indeed the third man. I have liked to hear the play more fully done in, say, six parts; but I'm very glad to have heard what I heard.

To say that Radio 2 is to spread its wings is like saying this about a penguin, for wings are not what it goes in for. All the same, the programme is a little like a penguin in that it is to be a "programme" - four nights, 7-10pm, from ten to midnight. Ever heard a pilot, and it didn't sound very new-style to me, just basically Radio 2-style, and why not? Lots of do-you-remember records, (Herman's Hermits, Buddy Holly, Ella Fitzgerald; a bit of Bachman/Turner; news every half-hour; a new game; some listeners' tales; a short story; a must have last year's paragraph; next day's papers. The anchor man is Ken Bruce, and his name is the name of the programme. Not fair to judge from a pilot; more after the real thing.

The indefatigable Independent Drama Production company is doing miniature plays on BBC Crown FM, about awkward problems in society. Tuesday, on Mike Allan's Night-time, we had trans-racial adoption, a matter once thought good but now bad because the adoptee can't have his relationship with his own (and other) races truly understood. The play was about a white family with a bright Bangladeshi girl student. The problem was merely mentioned in the drama, but fully dealt with in the subsequent interviews and telephone-calls. The whole principle seems to me admirable.

Clement Crisp

B.A. Young

### Records

## Two generations of Rings

shortly after Hattink had conducted the new Covent Garden production in 1988. Whatver the fate of that particular staging, the experience of regulating the theatrical ebb and flow has left its mark upon his control of the score, which moves with such smoothness and dramatic point that the halting progress of the earlier instalment seems like a bad dream.

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more grandeur, passages set in quotation marks to mark their place in the scheme, parties early when the cast does not contain any singers ready to provide that dramatic charge. There are no significant vocal shortcomings; but little electricity either, save hands are preferred to stately brilliance. James Morris continues to purvey his solid, honeyed Wotan much as he did for both Levine and Hattink in Walküre. The phrasing is simple, the tone wonderfully focused and shaded, yet he misses, it seems to me, a whole dimension of the character's ruthlessness which will instinctively resort to blunt force when sweet persuasion fails.

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